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STATE OF MONTANA

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STATE OF MONTANA

DEPARTMENT OF JUSTICE

REPORT ON AUDIT

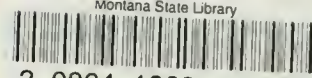
Conducted Under Contract By
Newland, Horn and Taylor, CPA's

Fiscal Year Ended June 30, 1976 and
Workers' Compensation Costs
For The Year Ended June 30, 1975



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DEPARTMENT OF JUSTICE

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Fiscal Year Ended June 30, 1976 and
Workers' Compensation Costs
For The Year Ended June 30, 1975



STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Department of Justice for the year ended June 30, 1976 and the Workers' Compensation costs for the year ended June 30, 1975.

The audit was conducted by Newland, Horn and Taylor, P.S.T., Certified Public Accountants of Butte, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, reading "Morris L. Brusett", is positioned above the typed name.

Morris L. Brusett, C.P.A.
Legislative Auditor

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Department of Justice is included in the back of this report.

Page

The revolving account be increased by \$300.00 and that the other revolving account be reduced by a similar amount.

2

Agency Reply: Concur. See page 47.

Immediately upon the departure of any employee entitled to sign on a bank account, that new signature cards be obtained and that the bank be notified of the elimination of the employee departing.

2

Agency Reply: Concur. See page 48.

When seeking reimbursement of the refund revolving account that Central Services in Helena be informed of the disbursements actually made from the account and that the reimbursement be an amount which will bring the balance up to the full amount of the account, which, at the present time, is \$500.00.

3

Agency Reply: Concur. See page 48.

All checks older than six months outstanding be cancelled and that the bank be informed not to cash checks older than six months. If a check is turned down by reason of age, then another check can be issued to take its place.

3

Agency Reply: Concur. See page 48.

The payment of travel expenses be made through the regular warrant system rather than through the revolving account.

4

Agency Reply: Concur. See page 48.

The expense statements being paid by the revolving fund be approved by someone other than the persons authorized to sign the checks, and we further recommend that the checks be issued by someone other than the person who reconciles the bank statement.

4

Agency Reply: Concur. See page 48.

SUMMARY OF RECOMMENDATIONS (Continued)

Page

The records of the Department of Justice for the Registrar's Bureau be adjusted so as to include an account for cash on hand at the bureau in the amount of \$75.86.

4

Agency Reply: Concur. See page 48.

The cash receiving function of the registrar's office be mechanized for the purpose of speeding up the handling of receipts and for the further purpose of providing for more internal control. This latter would be accomplished by having the departments responsible for the titles, liens, or any of the other functions of the Registrar's Bureau, receive a copy of the cash receipts processed so that this could be compared against the documents being handled by them.

5

Agency Reply: Concur. See page 49.

The checks received in the mail be endorsed upon receipt rather than being endorsed the following day when the deposits are made. We further recommend that the mail department and cashier's office be separated by more distance.

6

Agency Reply: Concur. See page 49.

For the protection of cash being held, that a safer method of holding the cash be found, but that in the meantime, all doors to the vault room at noon time and at night be locked, as well as the filing cabinet.

6

Agency Reply: Concur. See page 49.

The change fund and the petty cash fund be checked every day and any shortages or overages be reported to Central Services at the close of each month.

7

Agency Reply: Concur. See page 49.

The duties of billing, collection and recording of charges for the school conducted be separated to the greatest extent possible.

7

Agency Reply: Concur. See page 50.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
When cash is transferred to Helena from sales of patches, tie-tacs, etc., that the transfer be made in an amount that will reduce the change fund to \$10.00 and that any cash over or short be reported to Central Services at that time.	7
<u>Agency Reply:</u> Concur. See page 50.	
The \$10.00 change fund on hand at the Academy be recorded on the books of the Department of Justice.	7
<u>Agency Reply:</u> Concur. See page 50.	
No additional tie-tacs be purchased until the present inventory is reduced to a reasonable number.	8
<u>Agency Reply:</u> Concur. See page 50.	
When invoices are prepared for charges for the various schools that are conducted by the Law Enforcement Academy, that a copy of the invoice be forwarded to Helena, and that with this information, the Central Services Division will maintain a record of the amounts due to the Academy.	8
<u>Agency Reply:</u> Concur. See page 50.	
A copy of all invoices issued by the Academy be sent to Central Services and that Central Services maintain a record of the accounts receivable owing as of any time to the Academy.	8
<u>Agency Reply:</u> Concur. See page 50.	
The fund be returned to the treasury of the State of Montana, as the fund is not now being used, and there is no indication of a need for the fund in the future.	8
<u>Agency Reply:</u> Concur. See page 51.	
Any time that the Fire Marshall's Bureau has \$100.00 or more on hand, that transfer of the receipts be made to Central Services immediately.	9
<u>Agency Reply:</u> Concur. See page 51.	

SUMMARY OF RECOMMENDATIONS (Continued)

Page

The receipts collected by the Helena Highway Patrol Office be delivered to Central Services with a printed cash receipts document instead of using a legal pad. The cash receipts document should be prepared in duplicate and one copy should be retained by the Patrol Office. As it is now, Central Services receives the cash and the only copy prepared with respect to the collections.

10

Agency Reply: Concur. See page 51.

The checks received be endorsed by the Highway Patrol Office at the time of receipt. This would require the Patrol Office to segregate receipts that do not belong to the Motor Vehicle Division.

10

Agency Reply: Concur. See page 51.

Central Services turn over to the Collection Division of the Department of Revenue, all old uncollected accounts, for action by the Collection Department to the end that amounts due will be collected.

11

Agency Reply: Concur. See page 51.

A complete inventory of books held by headquarters and by the division offices and by patrolmen, should be taken on September 30, 1976, and that the data processing inventory should, on that date, be adjusted to the actual figure as determined. We further recommend that the inventory held by each division office and by headquarters should be reconciled at the end of each month. We also recommend that the data processing information be maintained on a current basis and that when it appears that a book is outstanding and being held by a patrolman for a long period of time, that steps should be taken to make determinations as to the actual existence of summons books in the hands of the patrolman.

12

Agency Reply: Concur with taking an inventory of summons. Do not concur with additional reconciling. See page 52.

The duties of buying, issuance of inventory items, and the record keeping be divided into at least two functions, such as buying and issuing being separated from record keeping.

13

Agency Reply: Do not concur. See page 52.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
The duties of billing, collecting and depositing of teletype services, be divided between at least two people, using personnel of Central Services if needed.	13
<u>Agency Reply:</u> Concur. See page 52.	
Deposits be made more often and that checks be endorsed upon receipt and that a journal of collections be installed to reflect date, name and amount and when deposited.	14
<u>Agency Reply:</u> Concur. See page 52.	
Funds be retained until deposited, in a place providing for more protection of the funds.	14
<u>Agency Reply:</u> Concur. See page 52.	
The Department of Justice and the Department of Revenue come to an agreement as to who is responsible for maintaining records of these funds, and that once that decision is made, that an effort be made to determine which part of these old funds should be transferred to the Public School Fund. This latter determination will require an exhaustive investigation, going back before the year 1969.	16
<u>Agency Reply:</u> Concur. See page 53.	
All general ledger accounts consisting of assets and liabilities, be balanced to a subsidiary ledger on a monthly basis. We further recommend that each division or bureau maintaining any records be so advised, and that the chief accountant be advised monthly, as to subsidiary balances.	17
<u>Agency Reply:</u> Concur. See page 53.	
The Department of Justice immediately take an inventory of all equipment in the various divisions, and that a systematic method of tagging the equipment be designed, and that records for maintaining the equipment on hand, purchased, sold or transferred, be installed.	18
<u>Agency Reply:</u> Concur. See page 53.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
An entity be created on the records of the Department of Justice to reflect equipment owned and fund balance-- that the system provide for additions and retirements in dollars, and that the subsidiary ledger mentioned in the previous recommendation be balanced to the ledger account for equipment.	18
<u>Agency Reply:</u> Concur. See page 53.	
All personnel files be maintained by Central Services rather than having this function performed in a division or bureau office.	19
<u>Agency Reply:</u> Concur. See page 53.	
The agency have a personnel officer responsible for hiring and firing employees.	19
<u>Agency Reply:</u> Do not concur. See page 54.	
The agency use standard time and attendance reports signed by the employee and the supervisor for all programs.	19
<u>Agency Reply:</u> Concur with the exception of the Highway Patrol and professional status employees. See page 54.	
All personnel files contain a summary sheet which would recap the employee status throughout the years. All status changes should be supported by properly signed documents.	19
<u>Agency Reply:</u> Concur. See page 54.	
All files have a properly signed state form "Designation of Person Authorized to Receive Decedent's Warrants."	19
<u>Agency Reply:</u> Concur. See page 54.	
Salary warrants be distributed by an employee other than the employee who prepares the payroll.	19
<u>Agency Reply:</u> Do not concur. See page 54.	
All leave records be maintained on data processing equipment.	19
<u>Agency Reply:</u> Concur. See page 54.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Leave records for all programs be maintained by Central Services in the meantime.	19
<u>Agency Reply:</u> Concur. See page 55.	
A standard leave request be used by all divisions and bureaus.	20
<u>Agency Reply:</u> Concur with the exception of the Highway Patrol. See page 55.	
Possible abuse of sick leave be reviewed by bureau chiefs as individual cases are brought to their attention. Their approval, in each case, should be documented.	20
<u>Agency Reply:</u> Concur. See page 55.	
Contracted services and expenses be paid, based upon an invoice submitted by the provider of the service.	20
<u>Agency Reply:</u> Concur. See page 55.	
All expenditures be properly approved, and that up-to-date lists of authorized signatures be maintained, so that signatures of persons approving disbursements can be checked.	20
<u>Agency Reply:</u> Concur. See page 55.	
The receiving report, signed by the person receiving the materials or services, be made a part of the warrant transfer claim package.	21
<u>Agency Reply:</u> Do not concur. See page 55.	
State of Montana purchasing policy be strictly adhered to by issuing purchase orders for amount exceeding the limitation of \$150.00.	21
<u>Agency Reply:</u> Concur. See page 56.	
All journal entries be fully explained, so that anyone can, from the explanation, know the purpose of the entry.	21
<u>Agency Reply:</u> Concur. See page 56.	

SUMMARY OF RECOMMENDATIONS (Continued)

Page

The Attorney General enter into formal contracts with retained personnel, stating fees to be paid, subsistence allowance and vacation to other compensation to be paid upon leaving. As it is now, many understandings are oral and have not been reduced to writing.

28

Agency Reply: Concur. See page 57.

The rules and regulations in the Montana Administrative Code related to the Department of Justice be expanded and updated. As set forth in the Montana Administrative Procedure Act, the purpose of this code is to prescribe uniform rules and procedures for state administrative agencies. Currently, the sections related to the Department of Justice are very inadequate. Some agencies currently functioning in the department are not mentioned at all. There are some agencies shown that are no longer a part of the Department of Justice. Also, rules and regulations for some of the agencies do not adequately cover their current functions and areas of responsibility.

29

Agency Reply: Concur. See page 58.

The Department of Justice establish and adopt a new organizational chart as soon as possible. The department currently does not have an organization chart that properly shows how it is functioning. A division, bureau or section of a department is not legally created unless it appears on an organization chart approved by the Governor.

30

Agency Reply: Concur. See page 58.

The Department of Justice, including its various divisions, establish adequate records related to its fixed assets. As set forth in a management memo pertaining to the property management of fixed assets, the following steps should be taken to adequately set up and maintain fixed asset records:

1. A physical inventory of all fixed assets should be taken each year, preferably on June 30th.
2. New fixed assets purchased should be added to the inventory records when purchased and items deleted should be properly removed from the records.
3. When future physical inventories are taken, they should be compared to the up-to-date fixed asset inventory records.

30

Agency Reply: Concur. See page 58.

SUMMARY OF RECOMMENDATIONS (Continued)

Page

The Escheated Estates Bureau in the Legal Services Division be activated to properly carry out its duties and functions as set forth in the laws and regulations of the State of Montana. We believe that this area needs immediate attention so that revenue received by escheated estates can be properly deposited in the State School Fund.

30

Agency Reply: Do not concur. See page 59.

NEWLAND, HORN, AND TAYLOR, PST

CERTIFIED PUBLIC ACCOUNTANTS

53 WEST BROADWAY

BUTTE, MONTANA 59701

Montana State Office of the Legislative Auditor
Capitol Building
Helena, Montana 59601

We have examined the financial statements of the Department of Justice for the year ended June 30, 1976 and the appropriations and expenditures for the Workmen's Compensation Investigation also for the prior year. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements presented herewith, consisting of balance sheets of the various entities on June 30, 1976 and the changes in fund balance for the year then ended, together with supporting schedules, present fairly the financial position of the entities on June 30, 1976 and fund changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the exception set forth in the following paragraph.

Accounts receivable owing on June 30, 1976 are included in the balance sheet as assets, although the receivables as of one year prior were not included in the records. The effect of this is to understate beginning fund balances in the changes in fund balances statement, and to overstate revenue for the year.

In addition, the Department of Justice does not capitalize acquisition of fixed assets so the statement of fixed assets, required by generally accepted accounting principles, is not included in the financial statements.

We do not certify as to the correctness of the schedule of costs for the Workmen's Compensation Investigation for the year ended June 30, 1975.

Newland, Horn and Taylor, P.S.T.
Certified Public Accountants

Butte, Montana
August 31, 1976

GENERAL COMMENTS REGARDING
THE DEPARTMENT OF JUSTICE

The Department of Justice was created under the Executive Reorganization Act of 1971 by executive order of the Governor on September 1, 1972. The Department was formerly called the "Department of Law Enforcement of Public Safety". In accordance with Chapter 250, Laws of 1973, the name of the Department was changed to the "Department of Justice".

The major functions of the Department of Justice are to provide legal representation for the public interest in both civil and criminal matters and to provide protection for the citizens of the State of Montana by enforcing State laws and promoting public safety through specific programs.

The Attorney General is the Department Head and it is his responsibility to administer the Department and its related divisions and bureaus. In order to properly carry out its functions, the Department of Justice is broken down into four separate divisions as follows:

1. The Legal Services Division, headed by the Chief Deputy Attorney General, provides legal representation and advice to state agencies. It has the responsibility of protecting the rights of the State of Montana and its citizens in legal matters. It is this division that represents Montana's interests in cases before the State and Federal Courts. The legal services division is broken down into three bureaus as follows:

- (a) Civil Bureau.
- (b) Criminal Bureau.
- (c) Escheated Estates Bureau.

2. The Motor Vehicles Division currently functions solely through its two bureaus, the Highway Patrol Bureau and the Registrar of Motor Vehicles Bureau.

The Highway Patrol Bureau has numerous responsibilities. Included

in these responsibilities are patrolling traffic on public highways, administering the driver licensing programs, enforcing laws related to movement of trucks, trailers and other heavy equipment on public roads, and inspecting school buses. The Bureau also has the duty of promoting safety on the State highway system through such things as Driver Education and Improvement Programs.

The Registrar of Motor Vehicles Bureau provides for identifying motor vehicles and owners through registration, titling, licensing and recording liens. The Bureau is also responsible for providing information relative to motor vehicles to law enforcement agencies.

3. The Investigation, Communication and Identification Division functions mainly through its Bureaus in providing State assistance to law enforcement agencies and promoting enforcement cooperation between State, local and federal agencies.

The Criminal Investigation Bureau provides investigatory and analytical assistance to local, State and federal law enforcement agencies in felony cases. It also provides court-recognized expert witnesses and laboratory analysis of substances suspected in crime scenes.

The Identification Bureau maintains an updated criminal history information system on all persons who have been arrested for a felony within the State. This information is provided, upon request, to law enforcement agencies throughout the country in an effort to identify and convict suspects in felony cases.

The Law Enforcement Academy Bureau provides continuing professional training and education for law enforcement personnel. The purpose of these programs is to insure that modern, professional enforcement procedures and policies are being used, and to promote interest and

understanding in law enforcement in the community.

The Law Enforcement Teletypewriter System Bureau provides an integrated communications system between federal, state, county and city law enforcement agencies. Its goal is to provide uninterrupted rapid exchange of criminal information necessary to apprehend and convict criminals.

The Fire Marshall Bureau has the responsibility of upgrading fire safety and investigation within the state and for reducing loss of life and property caused by fire and explosion. Its functions include inspecting buildings to assure compliance with fire safety statutes and regulations and investigating serious and suspicious fires to determine their cause.

4. The Central Service Division consolidated all accounting, fiscal and budgetary functions of the Department of Justice in order to provide centralized administrative support through professional staffing and management. Its goal is to assure that the Department's resources are applied to its statutory charges in an efficient, economical and effective manner.

The Board of Crime Control is attached to the Department of Justice for administrative purposes only. This board is appointed by the Governor to assist in defining needs and problems and outlining priorities in developing a comprehensive statewide plan for improvement of law enforcement. Our audit scope did not include a review of the activities of the Board of Crime Control.

OTHER COMMENTS

GENERAL COMMENTS:

We entered into a contract for a Financial Compliance Audit of the Montana Department of Justice on June 3, 1976. Our agreement was to make this audit for the period ending June 30, 1976, but to include an audit of expenditures for the fiscal year 1974-75 relating to the Workmen's Compensation Investigation. The major portion of our time was spent at the Central Services Division in Helena where the records of the Department of Justice are maintained. In addition to that, we visited the Law Enforcement Academy in Bozeman, Montana, the Registrar of Motor Vehicles Office in Deer Lodge, the Highway Patrol Office in Helena, as well as the Fire Marshall's Office in that city. For the purpose of making verifications of the inventory of equipment, in addition to the locations mentioned above, we visited Butte, Missoula, Great Falls and Livingston, Montana. The results of our audit and recommendations will be set forth by Division or Bureau, except for expenditures, payroll, equipment inventory, and comments regarding other assets and comments regarding the Workmen's Compensation Investigation expenditures, which will be discussed individually.

REGISTRAR OF MOTOR VEHICLES BUREAU - DEER LODGE.

The Registrar's Office maintains and uses two Revolving Accounts, one for making small refunds and the other for making small disbursements for expense items and travel expenses. The Refund Account is not maintained on the imprest system, but the other Revolving Account is so maintained. Whenever the Refund Account is in need of funds, a rounded amount is sent from Helena to Deer Lodge, usually in the amount of \$350.00. Both accounts actually had a smaller balance than the balance reflected by the general ledger for the funds on June 30, 1976. The amount, however, was not significant enough to require an adjustment to the financial statements. The reason for the difference between the general ledger

balance and the actual balance is accounted for by the Refund Account only being reimbursed for an estimated amount rather than an actual amount, and with respect to the other Revolving Account, the difference is accounted for by not submitting reimbursement requests as of the close of the month.

We believe that the Refund Account should be increased from the present \$500.00, and that the other Revolving Account should be reduced from the present \$750.00. The Revolving Account is at times so low that refunds cannot be made on a timely basis, and the \$750.00 represents nearly all the expenditures made by that account for the whole year.

WE RECOMMEND THAT THE REFUND REVOLVING ACCOUNT BE INCREASED BY \$300.00 AND THAT THE OTHER REVOLVING ACCOUNT BE REDUCED BY A SIMILAR AMOUNT.

In checking the signature cards for these Revolving Accounts, it was found that an employee who had left the employment of the Registrar's Bureau, was still, according to the bank records, entitled to sign checks. Withdrawals from this account could be made on the basis of one signature only.

RE RECOMMEND THAT IMMEDIATELY UPON THE DEPARTURE OF ANY EMPLOYEE ENTITLED TO SIGN ON A BANK ACCOUNT, THAT NEW SIGNATURE CARDS BE OBTAINED AND THAT THE BANK BE NOTIFIED OF THE ELIMINATION OF THE EMPLOYEE DEPARTING.

Refunds are made by issuing checks on the Refund Revolving Account. The basis of issuing these checks is a letter authorizing the refund prepared by the supervisor of the department involved. Checks are signed by the Chief of the Bureau or his Deputy and by the Cashier or her assistant. The checks are prepared by the Cashier's Office on the basis of the refund letter described above, and then counter-signed by either the Chief or his Deputy. The Chief or his Deputy do not see the refund letters, but sign the checks presented to them for signature. We suggest that the Chief or his Deputy also have the

letters presented to them with the checks, as this would eliminate any weakness resulting from not doing so.

The Refund Revolving Account bank statements are delivered to the Cashier, who sorts the checks for another person who prepares the reconciliations. As the person who prepares the reconciliation for the Refund Revolving Account has nothing to do with the account except to reconcile the bank statement, we suggest that the bank statement go to that person without first being opened and the checks sorted by the Cashier.

In submitting requests for reimbursements from Helena, there should be some indication given to the Central Services Division to indicate what disbursements are being covered.

WE RECOMMEND THAT WHEN SEEKING REIMBURSEMENT OF THE REFUND REVOLVING ACCOUNT THAT CENTRAL SERVICES IN HELENA BE INFORMED OF THE DISBURSEMENTS ACTUALLY MADE FROM THE ACCOUNT AND THAT THE REIMBURSEMENT BE AN AMOUNT WHICH WILL BRING THE BALANCE UP TO THE FULL AMOUNT OF THE ACCOUNT, WHICH, AT THE PRESENT TIME, IS \$500.00.

On June 30, 1976, the outstanding checks for the Refund Revolving Account totalled \$838.00 and represented some 400 checks, most of which were issued for \$2.00. Some of the checks have been outstanding as far back as 1974 and 1975. This creates a difficult problem when reconciling the bank account, as each of the outstanding checks must be listed.

WE RECOMMEND THAT ALL CHECKS OLDER THAN SIX MONTHS OUTSTANDING BE CANCELLED AND THAT THE BANK BE INFORMED NOT TO CASH CHECKS OLDER THAN SIX MONTHS. IF A CHECK IS TURNED DOWN BY REASON OF AGE, THEN ANOTHER CHECK CAN BE ISSUED TO TAKE ITS PLACE.

The Revolving Account, other than the Refund Revolving Account is used for

making travel advances and for paying travel expenses, as well as for small purchases of supplies. Nearly one-half of the checks written were for an amount in excess of \$10.00. Expenditures of this nature should be submitted to Central Services in Helena for processing through the regular warrant system.

WE RECOMMEND THAT THE PAYMENT OF TRAVEL EXPENSES BE MADE THROUGH THE REGULAR WARRANT SYSTEM RATHER THAN THROUGH THE REVOLVING ACCOUNT.

This Revolving Account requires only one signature, that of either the Chief or the Deputy Chief of the Registrar's Bureau. Checks are usually signed by the Deputy Chief who also approves the payment of the invoice. Checks are actually written by the same person who handles the bank statement reconciliation. This situation does not provide for proper internal control.

WE RECOMMEND THAT THE EXPENSE STATEMENTS BEING PAID BY THE REVOLVING FUND BE APPROVED BY SOMEONE OTHER THAN THE PERSONS AUTHORIZED TO SIGN THE CHECKS, AND WE FURTHER RECOMMEND THAT THE CHECKS BE ISSUED BY SOMEONE OTHER THAN THE PERSON WHO RECONCILES THE BANK STATEMENT.

Some collections are made at the Registrar's Office. The total collections per day are not large and are usually at the rate of \$2.00 each. As collections are received in the office, a receipt is issued and these collections are processed in the same manner as the receipts received in the mail. A change fund of \$75.86 has existed for a long time, but this fund does not appear in the accounts of the Department of Justice.

WE RECOMMEND THAT THE RECORDS OF THE DEPARTMENT OF JUSTICE FOR THE REGISTRAR'S BUREAU BE ADJUSTED SO AS TO INCLUDE AN ACCOUNT FOR CASH ON HAND AT THE BUREAU IN THE AMOUNT OF \$75.86.

The Registrar's Bureau in Deer Lodge collects the greatest amount of revenue for the Department of Justice as indicated by Schedule I of the Financial Statements under "Title, Recording, etc." The procedure for recording mail collections is for the Mail Department to open the mail and list the receipts on cash register journals by category, such as titles, liens, personal license places, etc. As each page is completed, the cash listed and the cash register journals are turned over to the Cashier and the actual documents received in the mail are turned over to the department handling the type of document involved. This latter department issues a receipt showing the number of documents delivered to them. The receipts so issued listing the number of documents received by the department are checked by the Cashier against the sheets prepared by the mail clerks. Checks are endorsed as they are deposited, usually the day after the date of receipt, although at the time we visited the Registrar's Bureau, there was a great deal of unopened mail stored in what is called the "Vault Room". The system of having the various departments issue receipts showing the number of documents received has only been in existence since April, 1976, and the use of this procedure has greatly improved the control of cash. Because of the volume of work in handling receipts, the department should be fully mechanized. Equipment for this purpose is available. One type of equipment that could be used to advantage is the equipment now being used by the Department of Revenue. Regardless of whether the operation is mechanized or not, the Mail Department should be separated by space from the Cashier's Office. At the present time, the Cashier's Office and the Mail Department appear to be all one department.

WE RECOMMEND THAT THE CASH RECEIVING FUNCTION OF THE REGISTRAR'S OFFICE BE MECHANIZED FOR THE PURPOSE OF SPEEDING UP THE HANDLING OF RECEIPTS AND FOR THE FURTHER PURPOSE OF PROVIDING FOR MORE INTERNAL CONTROL. THIS LATTER WOULD BE ACCOMPLISHED BY HAVING THE DEPARTMENTS RESPONSIBLE FOR THE TITLES, LIENS, OR

ANY OF THE OTHER FUNCTIONS OF THE REGISTRAR'S BUREAU, RECEIVE A COPY OF THE CASH RECEIPTS PROCESSED SO THAT THIS COULD BE COMPARED AGAINST THE DOCUMENTS BEING HANDLED BY THEM.

WE RECOMMEND THAT THE CHECKS RECEIVED IN THE MAIL BE ENDORSED UPON RECEIPT RATHER THAN BEING ENDORSED THE FOLLOWING DAY WHEN THE DEPOSITS ARE MADE. WE FURTHER RECOMMEND THAT THE MAIL DEPARTMENT AND CASHIER'S OFFICE BE SEPARATED BY MORE DISTANCE.

When we were at the Registrar's Office on June 15, 1976, some checks dated June 10, 1976 were not being processed because of the volume of work. These were held in a filing cabinet in the "vault". The front has one steel door, which is the main entrance, but only a wooden door for the other entrance. The front door to the vault was locked, but not the back door, nor was the filing cabinet locked containing the unrecorded cash.

WE RECOMMEND FOR THE PROTECTION OF CASH BEING HELD, THAT A SAFER METHOD OF HOLDING THE CASH BE FOUND, BUT THAT IN THE MEANTIME, ALL DOORS TO THE VAULT ROOM AT NOON TIME AND AT NIGHT BE LOCKED, AS WELL AS THE FILING CABINET.

LAW ENFORCEMENT ACADEMY - BOZEMAN, MONTANA.

The Law Enforcement Academy trains Law Enforcement Personnel from the cities and counties throughout Montana, as well as State Personnel, and upon occasion, personnel employed by the Federal Government. The Bureau has two cash accounts, one for petty cash and one for a change fund. The latter account is not reflected on the books of account of the Department of Justice.

The only charge made for the schools conducted is for board and room at \$5.40 per week. As enrollees check in they are processed by the Chief Secretary in the Office of the Academy. A list of personnel attending is prepared and this list is the basis for billing.

The petty cash fund and the change fund both were off, although the net difference was very small, indicating some carelessness in the handling of cash. The Academy uses the change fund in the sale of patches, tie-tacs, stamps, and the lunches paid for are also handled through the account. In order to handle the sale of patches and the tie-tacs, it is necessary to maintain an inventory of these items. A perpetual inventory is maintained of both of these items and the actual inventory and the perpetual inventory on July 7, 1976 were the same.

After the schools have been billed for, the collection is made at the Academy and the checks received are forwarded to Central Services in Helena, together with a picture of the invoices being paid. One person in the office at the Academy handles the billing, the collections and the recording of charges.

WE RECOMMEND THAT THE CHANGE FUND AND THE PETTY CASH FUND BE CHECKED EVERY DAY AND ANY SHORTAGES OR OVERAGES BE REPORTED TO CENTRAL SERVICES AT THE CLOSE OF EACH MONTH.

WE RECOMMEND THAT THE DUTIES OF BILLING, COLLECTION AND RECORDING OF CHARGES FOR THE SCHOOL CONDUCTED BE SEPARATED TO THE GREATEST EXTENT POSSIBLE.

WE RECOMMEND THAT WHEN CASH IS TRANSFERRED TO HELENA FROM SALES OF PATCHES, TIE-TACS, ETC., THAT THE TRANSFER BE MADE IN AN AMOUNT THAT WILL REDUCE THE CHANGE FUND TO \$10.00 AND THAT ANY CASH OVER OR SHORT BE REPORTED TO CENTRAL SERVICES AT THAT TIME.

WE RECOMMEND THAT THE \$10.00 CHANGE FUND ON HAND AT THE ACADEMY BE RECORDED ON THE BOOKS OF THE DEPARTMENT OF JUSTICE.

During the fiscal year 1975-1976, the total number of tie-tacs sold were 25. As the inventory of tie-tacs on hand on June 30, 1976 was 247, this

would represent, based upon the above sales, a 10 year supply.

WE RECOMMEND THAT NO ADDITIONAL TIE-TACS BE PURCHASED UNTIL THE PRESENT INVENTORY IS REDUCED TO A REASONABLE NUMBER.

We believe that the Central Services Division in Helena should maintain a complete record of the amounts owing by reason of services provided by the Law Enforcement Academy in Bozeman. At the present time the Central Service Bureau receives only a copy of the list of enrollees in the schools and a copy of the bill that was rendered when payment is made therefor.

WE RECOMMEND THAT WHEN INVOICES ARE PREPARED FOR CHARGES FOR THE VARIOUS SCHOOLS THAT ARE CONDUCTED BY THE LAW ENFORCEMENT ACADEMY, THAT A COPY OF THE INVOICE BE FORWARDED TO HELENA, AND THAT WITH THIS INFORMATION, THE CENTRAL SERVICES DIVISION WILL MAINTAIN A RECORD OF THE AMOUNTS DUE TO THE ACADEMY.

WE RECOMMEND THAT A COPY OF ALL INVOICES ISSUED BY THE ACADEMY BE SENT TO CENTRAL SERVICES AND THAT CENTRAL SERVICES MAINTAIN A RECORD OF THE ACCOUNTS RECEIVABLE OWING AS OF ANY TIME TO THE ACADEMY.

FIRE MARSHALL'S BUREAU - HELENA.

The Fire Marshall has a bank account with a balance of \$500.00 which was not used during the entire year. The fund was originally set up for the use of the Fire Marshall in conducting special investigations.

WE RECOMMEND THAT THE FUND BE RETURNED TO THE TREASURY OF THE STATE OF MONTANA, AS THE FUND IS NOT NOW BEING USED, AND THERE IS NO INDICATION OF A NEED FOR THE FUND IN THE FUTURE.

The Fire Marshall Bureau collects fees for permits issued to organizations and individuals who wish to sell fire alarm systems and fire extinguishers.

The internal control on the cash received is sound. We believe, however, that upon occasion, the transfer of receipts collected to Central Services is probably a little bit slow. We suggest that at any time that receipts on hand total \$100.00 or more, that a transfer to Central Services be made.

FOR THIS REASON WE RECOMMEND THAT ANY TIME THAT THE FIRE MARSHALL'S BUREAU HAS \$100.00 OR MORE ON HAND, THAT TRANSFER OF THE RECEIPTS BE MADE TO CENTRAL SERVICES IMMEDIATELY.

MOTOR VEHICLE DIVISION.

The Motor Vehicle Division has a Petty Cash Fund of a small amount which was determined to be on hand as per the records of the Department of Justice. The Helena office of the Highway Patrol makes charges for duplicate driver's licenses, motor vehicle reports, as well as patches, and performs other functions for which a fee is charged. The mail clerks open the mail, sorting out all mail containing money, that is, checks, money orders and currency, and prepares a list of receipts which is sent to Central Services at 1:00 P.M. each day, together with the documents for which payment is being made. Central Services stamps the documents "fee paid", and on this basis the documents are processed by the Highway Patrol Office.

Motor Vehicle Reports are the largest source of revenue. These reports are generally prepared for insurance and reporting organizations. As a request comes in, the service is performed and the documents requesting the services filed in a letter-size folder until the close of the month when the services performed are billed. A copy of the statement is sent also to Central Services. As the amount due is collected, the receipt of money is recorded as described above and sent to Central Services also as described above. Central Services returns their copy of the statement marked "fee paid".

Central Services maintains a list of accounts receivable on the basis of a single entry method of bookkeeping, showing in one column the charges made, and when the amount is paid, the date of payment is indicated in another column. The receipts delivered to Central Services is documented on a sheet of legal size paper, reflecting the name of the person or organization paying, and the amount paid. Central Services uses this sheet to balance the cash received and to make the allocation as to the amount of money to be retained and the amount of money to be transferred to some other Agency because the collection had been inadvertently sent to the Motor Vehicle Division. For the purpose of improving the internal control of the receipts collected by the Highway Patrol Office in Helena, Montana, we make the following recommendations:

WE RECOMMEND THAT THE RECEIPTS COLLECTED BY THE HELENA HIGHWAY PATROL OFFICE BE DELIVERED TO CENTRAL SERVICES WITH A PRINTED CASH RECEIPTS DOCUMENT INSTEAD OF USING A LEGAL PAD. THE CASH RECEIPTS DOCUMENT SHOULD BE PREPARED IN DUPLICATE AND ONE COPY SHOULD BE RETAINED BY THE PATROL OFFICE. AS IT IS NOW, CENTRAL SERVICES RECEIVES THE CASH AND THE ONLY COPY PREPARED WITH RESPECT TO THE COLLECTIONS.

The cash received one day is deposited the next day. At the time of deposit, Central Services endorses the checks for deposit.

WE RECOMMEND THAT THE CHECKS RECEIVED BE ENDORSED BY THE HIGHWAY PATROL OFFICE AT THE TIME OF RECEIPT. THIS WOULD REQUIRE THE PATROL OFFICE TO SEGREGATE RECEIPTS THAT DO NOT BELONG TO THE MOTOR VEHICLE DIVISION.

Accounts receivable of the Highway Patrol Office on June 30, 1976, totalled \$39,511.00. These have never been entered on the records of the Department of Justice, as only the cash received is recorded. There are a number of old accounts included in the list of accounts receivable. These

should be turned over to the Department of Revenue for collection by the Department in that Agency that was set up for that purpose. During the month of July, all but \$4,525.50 had been collected. We sent a letter of verification to the amount owing on August 2, 1976.

WE RECOMMEND THAT CENTRAL SERVICES TURN OVER TO THE COLLECTION DIVISION OF THE DEPARTMENT OF REVENUE, ALL OLD UNCOLLECTED ACCOUNTS, FOR ACTION BY THE COLLECTION DEPARTMENT TO THE END THAT AMOUNTS DUE WILL BE COLLECTED.

One of the functions of the Motor Vehicle Division is to compel the observation of highway speed laws. For the purpose of enforcement, traffic tickets are issued and an inventory of traffic tickets must be maintained. This inventory of traffic tickets consists of the inventory at the Headquarters Office in Helena and the following Division Offices: Missoula, Great Falls, Butte, Glendive, Lewistown and Billings. In addition to that, traffic tickets are issued to patrolmen who should account for all tickets issued to them. The inventory of traffic tickets held by patrolmen is maintained by Data Processing Equipment. We limited our audit to a check of the traffic tickets on hand at Headquarters, at the Missoula Office and at the Butte and Great Falls Offices. The results were that the inventory of tickets at the Helena Headquarters Office was correct and in accordance with the Data Processing Printout after taking into consideration transactions that had taken place after the last input into the Data Processing Equipment. The results in Butte and Missoula, however, were very disappointing. The Great Falls Division Office, however, was satisfactory.

There were many books in the Butte and Missoula Offices that could not be located. In addition, throughout the printout, books held by patrolmen date from way back and indicate books that are only partly used when new books were later issued to them. We believe that the Highway Patrol has the necessary

equipment to do a good job in maintaining an inventory of summons books, but it is our opinion that the equipment is not being used to that end. We believe that as the situation now exists, that an inventory of all books on hand at the various Division Offices and at Headquarters, should be taken as of September 30, 1976. This new inventory should be fed into the Data Processing Equipment, and a new beginning made and maintained on a current basis. As for the books held by patrolmen as of that date, the patrolmen should be required to account for the books still charged to them by the Data Processing Equipment and any differences between the books actually held and the books as indicated as being held by the Data Processing Equipment should be reconciled, and the new adjusted number of books should be the beginning charge against the patrolmen on September 30, 1976. Then the transactions and printouts should be maintained on a current basis for transactions, and at least one printout should be made each month.

WE RECOMMEND THAT A COMPLETE INVENTORY OF BOOKS HELD BY HEADQUARTERS AND BY THE DIVISION OFFICES AND BY PATROLMEN, SHOULD BE TAKEN ON SEPTEMBER 30, 1976, AND THAT THE DATA PROCESSING INVENTORY SHOULD, ON THAT DATE, BE ADJUSTED TO THE ACTUAL FIGURE AS DETERMINED. WE FURTHER RECOMMEND THAT THE INVENTORY HELD BY EACH DIVISION OFFICE AND BY HEADQUARTERS SHOULD BE RECONCILED AT THE END OF EACH MONTH. WE ALSO RECOMMEND THAT THE DATA PROCESSING INFORMATION BE MAINTAINED ON A CURRENT BASIS AND THAT WHEN IT APPEARS THAT A BOOK IS OUTSTANDING AND BEING HELD BY A PATROLMAN FOR A LONG PERIOD OF TIME, THAT STEPS SHOULD BE TAKEN TO MAKE DETERMINATIONS AS TO THE ACTUAL EXISTENCE OF SUMMONS BOOKS IN THE HANDS OF THE PATROLMAN.

The Data Processing Equipment also provides information as to any tickets issued out-of-order and also as to the disposition of each ticket issued. We believe that the information so provided can only be of value if the information is fed into the Data Processing Equipment on a current basis and if

current printouts are requested.

The Highway Patrol Office in Helena also sells patches. Our count of the patches was about the same as the perpetual inventory of patches which is maintained. An inventory of other items used by the Highway Patrol is also on hand at the Helena Highway Patrol Office, but no record of the inventory is reflected on the Books of Account of the Justice Department, although a perpetual inventory of the items are maintained by Highway Patrol personnel. We suggest that consideration be given to whether or not it would be advisable to reflect this inventory on the General Books of Account which would require an addition to the inventory for purchases and a report of usage when items are taken out of the inventory. The purchasing, inventory and perpetual inventory records are the responsibility of only one person. This situation does not lend itself to good internal control as the buying, issuing and record keeping is performed by the same person.

WE RECOMMEND THAT THE DUTIES OF BUYING, ISSUANCE OF INVENTORY ITEMS, AND THE RECORD KEEPING BE DIVIDED INTO AT LEAST TWO FUNCTIONS, SUCH AS BUYING AND ISSUING BEING SEPARATED FROM RECORD KEEPING.

LAW ENFORCEMENT TELETYPE SYSTEM.

This office provides communication services to Montana Cities and Counties and the Federal Government on a monthly fee basis.

All functions in connection with billing, collecting and depositing is done by one person. Deposits are made at infrequent intervals, at times, two months elapsing between deposits. In the meantime, funds are retained in a place we believe to be unsafe for guarding funds, all checks however.

During July and a part of August, 1976, all amounts owing on June 30, 1976 had been collected.

RE RECOMMEND THAT THE DUTIES OF BILLING, COLLECTING AND DEPOSITING OF

OF TELETYPE SERVICES, BE DIVIDED BETWEEN AT LEAST TWO PEOPLE, USING PERSONNEL OF CENTRAL SERVICES IF NEEDED.

WE RECOMMEND THAT DEPOSITS BE MADE MORE OFTEN AND THAT CHECKS BE ENDORSED UPON RECEIPT AND THAT A JOURNAL OF COLLECTIONS BE INSTALLED TO REFLECT DATE, NAME AND AMOUNT AND WHEN DEPOSITED.

WE RECOMMEND THAT FUNDS BE RETAINED UNTIL DEPOSITED, IN A PLACE PROVIDING FOR MORE PROTECTION OF THE FUNDS.

HIGHWAY PATROL FEDERAL, PRIVATE, REVENUE ACCOUNT. .

This account reflects collections from the Federal Government for refund of expenses incurred on Federal Programs for Safety and Employment.

All collections for this fund is made by the State Treasurer.

FEDERAL GRANTS.

In our opinion the Department of Justice has complied with the Grant provisions of all Federal monies received. We believe that a Grant received through the Montana Board of Crime Control, where a budget of \$38,210.00 was set up, and of which only \$24,706.00 was spent, that the Department of Justice should receive an additional \$5,694.00 from the Grantor in order for the expenditures to be allocated in the same manner as the budget was allocated.

One Federal Program for the Law Enforcement Academy reflected in entity 4550, makes expenditures for fees and travel expenses of instructors in great volume. We suggest that in the interest of paper work and time, that consideration be given to establishing a Revolving Account to pay these expenses at the Academy instead of using the Transfer Warrant Claim System.

OTHER ACCOUNTS.

ACCOUNT FOR PROPERTY HELD IN TRUST.

There are four entities which contain a balance for the account "Property Held in Trust" which require some kind of an action in order to carry out the provisions of the law with respect to Escheated Estates and Undistributed Estates. The legal basis for setting these accounts up in the first place is statutory. In addition to those two accounts, there are two administrative accounts, namely, Alien Heirs Agency Account and Recovery Statute Agency Account. On June 30, 1976, the balances reflected by the general ledger of the Department of Justice for these accounts were as follows: Escheated Estates \$411,070.90; Undistributed Estates \$5,997.23; Alien Heirs AA \$38,972.47; Recovery Statute AA \$18,496.74.

Revised Codes of Montana, 1947, Section 91-502, provides that if title to any property, real or personal, fails for any reason, including want of heirs, shall vest in the State of Montana immediately upon death of the owner.

For property other than estates, the title will fail in 20 years when owner or beneficial owner remains unknown.

According to the law as it now exists, all sums escheated shall be delivered by the State Department of Revenue to the State Treasurer for deposit into the Agency Fund, and all property held in the fund shall be held in trust for 10 years prior to deposit in the Public School Sub-Fund in the Trust and Legacy Fund.

Our first effort with respect to these accounts, was to determine what estates provided the funds that went into these accounts. We were successful in finding the names of the estates contributing the \$38,972.47 except for \$300.97. This information was obtained from the workpapers of an audit by the Legislative Auditor for the year June 30, 1969. Being unable to get any background on the other funds, we determined that the balances have remained as set forth above, for many years. This determination was confirmed by the Depart-

of Administration, where we were informed that the balance in these accounts is now the same as they were in 1972 when the Statewide System was started. When the Legislative Auditor made his audit for 1969, these funds were under the control of the State Treasurer, who, at that time, was unable to provide information as to the history of the funds.

We believe it is essential that a determination be made as to when the funds went into these accounts, for the reason that undoubtedly some of the balances should be transferred to the Public School Fund.

As stated above, there has been no activity in the funds since 1972, when the Statewide Budgeting and Accounting System began to function. Any activity applicable to these funds since that time has been handled by the Department of Revenue. It is not inconceivable that most of the \$474,537.34 set forth above should now be transferred to the Public School Fund. The confusion with respect to these funds no doubt stems from the law which provided that the Department of Justice is the Administering Agency for Escheated Estates and for Undistributed Estates, but both the Departments of Justice and Revenue are the Agency supervisors. With respect to Alien Heirs Agency Account, the same situation exists, but with respect to the Recovery Statute Agency Account, only the Department of Justice is involved.

WE RECOMMEND THAT THE DEPARTMENT OF JUSTICE AND THE DEPARTMENT OF REVENUE COME TO AN AGREEMENT AS TO WHO IS RESPONSIBLE FOR MAINTAINING RECORDS OF THESE FUNDS, AND THAT ONCE THAT DECISION IS MADE, THAT AN EFFORT BE MADE TO DETERMINE WHICH PART OF THESE OLD FUNDS SHOULD BE TRANSFERRED TO THE PUBLIC SCHOOL FUND. THIS LATTER DETERMINATION WILL REQUIRE AN EXHAUSTIVE INVESTIGATION, GOING BACK BEFORE THE YEAR 1969.

ACCOUNT FOR CANCELLED WARRANTS.

OTHER ADVANCES.

ACCOUNTABILITY FOR ADVANCES.

UNCLEARED COLLECTIONS.

ACCOUNTS RECEIVABLE, DISHONORED CHECKS (MOTOR VEHICLE DIVISION).

ACCOUNT FOR PROPERTY HELD IN TRUST, (MOTOR VEHICLE DIVISION).

All of the accounts listed above contain small errors not sufficient to justify any change in the Financial Statements. We have discussed these accounts with accounting personnel of the Department of Justice and they have, or are now in the process of making the necessary corrections. We believe that all accounts of this type should be compared with a subsidiary record at the end of each month for the purpose of determining whether or not the general ledger account is supported by the subsidiary record.

WE RECOMMEND THAT ALL GENERAL LEDGER ACCOUNTS CONSISTING OF ASSETS AND LIABILITIES, BE BALANCED TO A SUBSIDIARY LEDGER ON A MONTHLY BASIS. WE FURTHER RECOMMEND THAT EACH DIVISION OR BUREAU MAINTAINING ANY RECORDS BE SO ADVISED, AND THAT THE CHIEF ACCOUNTANT BE ADVISED MONTHLY, AS TO SUBSIDIARY BALANCES.

PROPERTY, PLANT AND EQUIPMENT.

We are very dissatisfied with our audit of the equipment inventory. Many of the inventory lists are not up-to-date, are incomplete, and much of the equipment is not numbered so that proper verification can be made. In many instances, the only record of the transfer of equipment between one location and another, is the memory of some person. Montana takes great pains to safeguard the expenditure of money and the collection of money, but is failing badly to maintain a proper control of the equipment owned by the various State Agencies. We do not think that the Department of Justice can wait until the Department of Administration places equipment inventory on the Statewide Budgeting and Accounting System. We believe that steps should be taken immediately to number and tag all equipment and to install manually operated records for the purpose of reflecting

the present inventory of equipment, purchases of equipment, sale and trade-in of equipment and transfers between locations. We believe this is essential for properly safeguarding the equipment.

WE RECOMMEND THAT THE DEPARTMENT OF JUSTICE IMMEDIATELY TAKE AN INVENTORY OF ALL EQUIPMENT IN THE VARIOUS DIVISIONS, AND THAT A SYSTEMATIC METHOD OF TAGGING THE EQUIPMENT BE DESIGNED, AND THAT RECORDS FOR MAINTAINING THE EQUIPMENT ON HAND, PURCHASED, SOLD OR TRANSFERRED, BE INSTALLED.

WE RECOMMEND THAT AN ENTITY BE CREATED ON THE RECORDS OF THE DEPARTMENT OF JUSTICE TO REFLECT EQUIPMENT OWNED AND FUND BALANCE - THAT THE SYSTEM PROVIDE FOR ADDITIONS AND RETIREMENTS IN DOLLARS, AND THAT THE SUBSIDIARY LEDGER MENTIONED IN THE PREVIOUS RECOMMENDATION BE BALANCED TO THE LEDGER ACCOUNT FOR EQUIPMENT.

PAYROLL.

Several persons handle the payroll and employee leave records. The preparation of payroll records is done at the Central Payroll Division, but the information for those payrolls and the leave records are maintained on a Division and Bureau basis.

Agency hiring and firing is the responsibility of a Bureau Chief. Further, the Department of Justice does not use a standard form for reporting time and attendance. For instance - the Attorney General's Office has no time sheets. Uniformed Patrolmen maintain daily time records, however, these are for operational purposes only. Central Services never sees a time sheet for uniformed persons. It was not possible for us to determine from the personal files, the proper accounting distribution. Many of the files did not have a signed W-4 form. "Payroll Status Forms" were maintained in most cases. The W-4 form referred to above is the form that informs the employer as to the number of withholdings which should be made in determining the employee's net pay. Salary

warrants are distributed by the person responsible for the preparation of the payroll. All leave records are maintained manually and in all cases were 100% accurate. In no case that we examined was the sick leave charged to vacation leave, and in all cases, annual or sick leave was not paid until the completion of the required amount of continuous service. Employees on sick leave were paid their normal gross salary.

WE RECOMMEND THAT ALL PERSONNEL FILES BE MAINTAINED BY CENTRAL SERVICES RATHER THAN HAVING THIS FUNCTION PERFORMED IN A DIVISION OR BUREAU OFFICE.

WE RECOMMEND THAT THE AGENCY HAVE A PERSONNEL OFFICER RESPONSIBLE FOR HIRING AND FIRING EMPLOYEES.

WE RECOMMEND THAT THE AGENCY USE STANDARD TIME AND ATTENDANCE REPORTS SIGNED BY THE EMPLOYEE AND THE SUPERVISOR FOR ALL PROGRAMS.

WE RECOMMEND THAT ALL PERSONNEL FILES CONTAIN A SUMMARY SHEET WHICH WOULD RECAP THE EMPLOYEE STATUS THROUGHOUT THE YEARS. ALL STATUS CHANGES SHOULD BE SUPPORTED BY PROPERLY SIGNED DOCUMENTS.

WE RECOMMEND THAT ALL FILES HAVE A PROPERLY SIGNED STATE FORM "DESIGNATION OF PERSON AUTHORIZED TO RECEIVE DECEDENT'S WARRANTS".

WE RECOMMEND THAT SALARY WARRANTS BE DISTRIBUTED BY AN EMPLOYEE OTHER THAN THE EMPLOYEE WHO PREPARES THE PAYROLL.

WE RECOMMEND THAT ALL LEAVE RECORDS BE MAINTAINED ON DATA PROCESSING EQUIPMENT.

WE RECOMMEND THAT LEAVE RECORDS FOR ALL PROGRAMS BE MAINTAINED BY CENTRAL SERVICES IN THE MEANTIME.

WE RECOMMEND THAT A STANDARD LEAVE REQUEST BE USED BY ALL DIVISIONS AND BUREAUS.

WE RECOMMEND THAT POSSIBLE ABUSE OF SICK LEAVE BE REVIEWED BY BUREAU CHIEFS AS INDIVIDUAL CASES ARE BROUGHT TO THEIR ATTENTION. THEIR APPROVAL, IN EACH CASE, SHOULD BE DOCUMENTED.

EXPENDITURES.

The total expenditures for the 1975-76 year were \$8,812,177.90 as set forth in Schedule II. This schedule also indicates that the major portion of the expenditures were in the Motor Vehicle Division, which includes the Highway Patrol and the Registrar's Bureau.

Payments for contracted fees and subsistence for the Workmen's Compensation Investigation are made each month in like amounts, but without an invoice being submitted by the contractor. We believe that such an invoice should be submitted and approved for payment each month.

WE RECOMMEND THAT CONTRACTED SERVICES AND EXPENSES BE PAID, BASED UPON AN INVOICE SUBMITTED BY THE PROVIDER OF THE SERVICE.

In our test check, 17 payments were made with no indication of approval being evident in the supporting documents. In addition, as no current list of valid signatures is maintained, except for the Highway Patrol Bureau, it was difficult to determine if the approval was made on the basis of a valid signature.

WE RECOMMEND THAT ALL EXPENDITURES BE PROPERLY APPROVED, AND THAT UP-TO-DATE LISTS OF AUTHORIZED SIGNATURES BE MAINTAINED, SO THAT SIGNATURES OF PERSONS APPROVING DISBURSEMENTS CAN BE CHECKED.

Six items in our sample, where a Receiving Report should have been included,

were found lacking. Further, the Receiving Reports should be included in the warrant package.

WE RECOMMEND THAT THE RECEIVING REPORT, SIGNED BY THE PERSON RECEIVING THE MATERIALS OR SERVICES, BE MADE A PART OF THE WARRANT TRANSFER CLAIM PACKAGE.

It is a requirement that purchases over \$150.00 must be made by the issuance of a Purchase Order. Not all expenditures by the Department of Justice were made on the basis for acquisition of over \$150.00 as is required by Montana Management Memo.

WE RECOMMEND THAT STATE OF MONTANA PURCHASING POLICY BE STRICTLY ADHERED TO BY ISSUING PURCHASE ORDERS FOR AMOUNT EXCEEDING THE LIMITATION OF \$150.00.

JOURNAL ENTRIES.

WE RECOMMEND THAT ALL JOURNAL ENTRIES BE FULLY EXPLAINED, SO THAT ANYONE CAN, FROM THE EXPLANATION, KNOW THE PURPOSE OF THE ENTRY.

WORKMEN'S COMPENSATION INVESTIGATION.

The 43rd Session of the Legislature appropriated in Senate Bill 739, \$78,268.00 to the fiscal year ending June 30, 1974, and \$104,923.00 for the fiscal year ending June 30, 1975 for the Investigation. Then the 44th Session, in House Bill 520, appropriated \$224,657.00 additional funds for the fiscal year July 1, 1974 to June 30, 1975 and for the fiscal year ending June 30, 1976, \$493,164.00, and for the six months July 1, 1976 to December 31, 1976, \$252,383.00. A summary of the above appropriations is as follows:

Appropriation by Senate Bill 739:	
For Fiscal Year June 30, 1974	\$ 78,268.00
For Fiscal Year June 30, 1975	104,923.00

Appropriated by House Bill 520: ,

For the Fiscal Year June 30, 1975	\$ 224,657.00
For the Fiscal Year June 30, 1976	493,164.00
For the Six Months, July 1, 1976 to December 31, 1976	<u>252,383.00</u>
Total	<u>\$1,153,395.00</u>

According to the records of the Department of Justice, disbursements applicable to the Investigation have been as follows:

For the Year Ending June 30, 1974	\$ 15,761.00
For the Year Ending June 30, 1975	352,564.00
For the Year Ending June 30, 1976	<u>431,037.00</u>
Total	<u>\$ 799,362.00</u>

A problem regarding these expenditures exists, however, with respect to the June 30, 1974 and June 30, 1975 years. When expenditures for the Investigation began, there was no separation between investigation expenses and other legal services expenses. In other words, all expenses were allocated to only one cost center or program, instead of dividing costs applicable to the Investigation into a separate program from those applicable to the usual operations of legal services. This was so even though a separate appropriation had been made by the Senate in Bill No. 739 for the June 30, 1974 year.

It was not until January 22, 1975 that the expenses applicable to the Investigation were recorded separately from other legal services expenses. The basis of the separation at that time, was a summary sheet prepared by the Attorney General's Office which was headed "Workmens' Compensation Division Investigation from Special Appropriation and Attorney General's Legal Services". "Listing of Expenditures of Workmens' Compensation Division Investigation Appropriation, December 1, 1973-December 31, 1974".

After listing expenses of \$183,191.00 (equal to the appropriation for the

June 30, 1974 and June 30, 1975 years) the report, after the total was headed "Attorney General's Office Expenditures in Support of Workmen's Compensation Division Investigation - 12/1/73-12/31/74". This latter group of expenses totalled \$16,849.00.

The Central Services Division of the Department of Justice recorded the first section of disbursements, or the \$183,191.00 as follows:

For the Year Ending June 30, 1974	\$ 15,761.00
On January 22, 1975, (Fiscal 6/75)	124,269.05
On February 28, 1975, (Fiscal 6/75)	27,574.00
On June 13, 1975, (Fiscal 6/75)	<u>15,587.28</u>
Total	<u><u>\$183,191.00</u></u>

The \$16,849.00 set forth in the paragraph above was never recorded, however. If it had been recorded, the appropriation on December 31, 1974 would have been exceeded by that amount.

We made an effort to go back into the payroll records which are lacking of any indication where personnel worked, but knowing the names of persons employed in the Workmen's Compensation Investigation, we arrived at the following payroll costs.

The total costs for the Investigation, as recorded for the June 30, 1974 year were \$15,761.00. Our determination of payroll costs alone was \$24,444.35 including payroll benefits.

For the year ending June 30, 1975 we agreed to the payroll costs as per the Attorney General's summary. However, because expenses of the Investigation paid through the Revolving Account were not recorded until the June 30, 1975 year and because amounts paid to Richard Dzivi were not recorded in the June 30, 1974 year, the allocation of costs to the exact year when costs were incurred distorted the costs as between years.

Professional fees were paid to Richard Dzivi in the amount of \$48,100.00 for the period December, 1973 to December 31, 1974. Of this amount, \$18,100.00 was paid for the period ending June 30, 1974 but was not then charged to the Investigation. For the past six months of the period, from July 1, 1974 to December 31, 1974, payments were \$30,000.00, which were charged to the Investigation for the 1975 year. After these dates and until his termination, payments were made at the monthly rate.

For the June 30, 1974 year, additional expenses of \$36,807.40 should be charged to the Investigation. The only effect on the Financial Statements is the amount involved for expenditures from the Revolving Fund, \$10,023.72, for that year. The balance of the \$36,807.40 will not affect the Financial Statements as it only involves an allocation to a cost center or program with no change in total expenses.

For the June 30, 1975 year, expenditures were recorded to the extent of \$18,798.92 more than the applicable costs of the Investigation. For the year 1976, expenses recorded are \$4,919.09 less than the amount that should be charged. The additional expense applicable to the year 1974 and the reduced expenses applicable to the year 1975 is in part due to recording expenses in one year rather than the other.

It should be pointed out that we have given no consideration to the \$16,849.00 which was not recorded as an Investigation expense.

The Workmen's Compensation Investigation, in addition to using the regular payroll and warrant system, operated a Revolving Fund to which was deposited initially on March 18, 1974, a warrant of \$5,000.00. Later deposits were \$10,000.00 on June 11, 1974, \$10,000.00 each on July 31, 1974 and September 6, 1974. In addition to travel refunds, \$4,000.00 more was added in the June 30, 1976 fiscal year.

The records of the Department, on June 30, 1976, reflected a balance in the Revolving Account of \$5,371.47 as expenditures of \$4,919.09 had not as yet been recorded. We have included this difference in the Financial Statements submitted with this audit report. This Revolving Account was set up to cover the payment of confidential expenses of the Investigation. It is our understanding that some of the expenditures which have not as yet been recorded in the records of the Department, are being retained until confidentiality is no longer required. Under ordinary circumstances, recording should be done upon replenishment of the fund, or at least at year end.

Record keeping for the Contingent Revolving Fund, especially in the early months, was very lax. Scraps of paper were used to report expenditures of various types. Very few of the expenditure documents bear the approval of the Attorney General, but were instead, approved by Richard Dzivi who was designated by the Attorney General to be in charge of the Investigation.

In February, 1975, when documentation for \$27,574.00 of the Contingent Revolving Fund expenditures were submitted to the Montana Department of Administration, the Department, in accordance with its statutory responsibility to pre-audit expenditures, held up \$16,993.33 of the total expenditures for the reason that travel voucher expense reports had not been submitted, and for the reason that authority for paying for food and housing costs for employees while the employees were in Helena had not been supplied, and because automobile maintenance costs had not been broken down as between State and private vehicles.

The lodging referred to above has to do with apartments known as the "Bunk House", used by attorneys, witnesses and others involved in the Investigation.

Later, after the turn-down of the expenditures of \$16,993.33 by the Department of Administration for the reasons set forth, the Attorney General replied and defended the expenditures as being proper under the special circumstances existing. In that letter he gave his opinion to the Department of

Administration regarding the question of legal authority to pay subsistence while in Helena, why investigation personnel should receive the standard State travel allowance when traveling in view of already receiving \$16.00 per day subsistence allowance, and what legal authority exists for designating Workmen's Compensation Investigation Staff as independent contractors rather than employees.

In his reply, the Attorney General cited the duties of his office to investigate, to prosecute all offenses detected by the Legislative Auditor, and to carry out the duties imposed upon him by the Legislature. He distinguished the investigation personnel as being retained counsel and retained investigators, rather than employees and independent contractors based upon contractual agreements entered into with them providing for compensation and subsistence. He also referred to these people as being Retained Public Servants rather than State Employees, and that the Legislature, in its appropriations, had specifically provided for payment of subsistence.

Many of the expenditures could have been handled much easier through the regular Warrant System and the regular channels, but the Attorney General directed Central Services, because of the confidentiality of the Investigation, that these payments would be handled by him.

Later in the month of the Attorney General's opinion, the Department of Administration processed the \$16,993.33 in question which was charged then as an expense for the fiscal year 1975.

In connection with the Investigation personnel designated in the Attorney General's opinion as Retained Counsel, Retained Investigators, or as Public Servants, subsistence was paid to those, who, because of accepting the position were forced to maintain two homes, at the rate of \$480.00 per month.

The files of the Attorney General do not contain any formal contracts with the Retained People, only letter appointments. For instance, with respect to Dzivi, a letter dated December 10, 1973, which sets forth compensation at \$2,500.00 per four week, beginning December 10, 1973 and ending January 4, 1974,

plus all expenses incurred in connection with services. Any later services to be paid for in accordance with mutual agreement at that time.

A letter dated March 25, 1974 appointing Dzivi a Special Assistant Attorney General in the Workmen's Compensation Investigation. (No salary was mentioned in this letter).

A letter agreeing to allow Dzivi \$50.00 per hour with a maximum of \$5,000.00 per month, effective April 1, 1974.

A letter dated May 8, 1975 providing for subsistence of \$480.00 per month, effective January 1, 1975.

With respect to Taylor:

Letter dated August 27, 1975 appointing him Special Assistant Attorney General re Workmen's Investigation. There was no mention of subsistence pay which was paid.

With respect to Basque:

Letter of February 1, 1975 changed status from employee to independent contractor as Special Prosecutor effective February 1, 1975. He was not paid subsistence.

Basque left on August 31, 1975 and received \$2,371.00 termination pay, equal to one month of his salary for vacation, sick leave and salary adjustment he would have received in California.

With respect to Smith:

No letters regarding Smith, only memos. The memos state that he worked from April 1, 1975 to January 23, 1976, that the salary was to be \$30,000.00 per year, plus \$1,800.00 subsistence for April, May, June and July, 1975. That salary for August, 1975 would be \$2,875.00, and that subsistence from July, 1975 to January, 1976 would be \$480.00 per month.

Actually, Smith was paid \$2,875.00 beginning in July, 1975. Subsistence

was further paid at the rate of \$250.00 per month for May and June, 1975.

When Smith left, he was paid \$2,395.00 vacation time.

With respect to Gilbert:

Only a letter appointing him Special Assistant Attorney General, nor any mention of allowance for subsistence, although he was paid subsistence.

With respect to Meloling:

Letter dated September 8, 1975 appointing him Special Assistant Attorney General. No salary stated, nor allowance for subsistence.

With respect to one retained person there arose controversy over the payment for pay upon leaving, and went so far that Counsel was retained before settlement was effected.

WE RECOMMEND THAT THE ATTORNEY GENERAL ENTER INTO FORMAL CONTRACTS WITH RETAINED PERSONNEL, STATING FEES TO BE PAID, SUBSISTENCE ALLOWANCE AND VACATION TO OTHER COMPENSATION TO BE PAID UPON LEAVING. AS IT IS NOW, MANY UNDERSTANDINGS ARE ORAL AND HAVE NOT BEEN REDUCED TO WRITING.

The expenditures for the Workmen's Compensation Investigation per the records of the Department of Justice, reflect the following costs:

	<u>June 30, 1975</u>	<u>June 30, 1976</u>
Personal Services	\$225,451.64	\$311,872.56
Contracted Services	82,038.16	57,908.94
Supplies and materials	8,797.19	14,524.64
Communications	4,188.00	5,764.65
Travel	19,796.79	33,773.55
Rent	6,044.50	3,869.00
Repairs and maintenance	636.65	3,323.88
Equipment	5,415.00	
Other	196.22	
Totals	<u>\$352,564.15</u>	<u>\$431,037.22</u>

COMPLIANCE

During the course of our audit of the Department of Justice, a review was made to determine that the Department is in compliance with the laws, regulations and administrative directives of the State of Montana. In order to properly conduct this portion of our audit, a review was made of sources, setting forth laws, regulations, directives and other information related to the Department of Justice. Included in this review were the following:

1. Statutes in the Revised Codes of Montana related to creation of the Department and its primary functions and responsibilities.
2. Annual reports to the Governor and the Governor's Executive Budget.
3. Montana Administrative Code, Title 23, related to the Department of Justice.
4. Management memos contained in Volumes 1 and 2 of the Montana Administrative Manual.
5. Items shown on Listing of Primary Statutes and Regulations involved in most engagements obtained from the Office of the Legislative Auditor.

A general review was then made of the Department to determine that all applicable laws and regulations are being properly complied with. Also, while conducting all other phases of our audit, we looked for any problem areas related to compliance.

While we found the Department of Justice to be generally in compliance with the applicable statutes and regulations of the State of Montana, we believe the following recommendations are worthy of consideration:

WE RECOMMEND THAT THE RULES AND REGULATIONS IN THE MONTANA ADMINISTRATIVE CODE RELATED TO THE DEPARTMENT OF JUSTICE BE EXPANDED AND UPDATED. AS SET FORTH IN THE MONTANA ADMINISTRATIVE PROCEDURE ACT, THE PURPOSE OF THIS CODE IS TO PRESCRIBE UNIFORM RULES AND PROCEDURES FOR STATE ADMINISTRATIVE AGENCIES. CURRENTLY, THE SECTIONS RELATED TO THE DEPARTMENT OF JUSTICE ARE VERY INADEQUATE. SOME AGENCIES CURRENTLY FUNCTIONING IN THE DEPARTMENT ARE NOT MENTIONED

AT ALL. THERE ARE SOME AGENCIES SHOWN THAT ARE NO LONGER A PART OF THE DEPARTMENT OF JUSTICE. ALSO, RULES AND REGULATIONS FOR SOME OF THE AGENCIES DO NOT ADEQUATELY COVER THEIR CURRENT FUNCTIONS AND AREAS OF RESPONSIBILITY.

WE RECOMMEND THAT THE DEPARTMENT OF JUSTICE ESTABLISH AND ADOPT A NEW ORGANIZATIONAL CHART AS SOON AS POSSIBLE. THE DEPARTMENT CURRENTLY DOES NOT HAVE AN ORGANIZATION CHART THAT PROPERLY SHOWS HOW IT IS FUNCTIONING. A DIVISION, BUREAU OR SECTION OF A DEPARTMENT IS NOT LEGALLY CREATED UNLESS IT APPEARS ON AN ORGANIZATION CHART APPROVED BY THE GOVERNOR.

WE RECOMMEND THAT THE DEPARTMENT OF JUSTICE, INCLUDING ITS VARIOUS DIVISIONS, ESTABLISH ADEQUATE RECORDS RELATED TO ITS FIXED ASSETS. AS SET FORTH IN A MANAGEMENT MEMO PERTAINING TO THE PROPERTY MANAGEMENT OF FIXED ASSETS, THE FOLLOWING STEPS SHOULD BE TAKEN TO ADEQUATELY SET UP AND MAINTAIN FIXED ASSET RECORDS:

1. A PHYSICAL INVENTORY OF ALL FIXED ASSETS SHOULD BE TAKEN EACH YEAR, PREFERABLY ON JUNE 30TH.
2. NEW FIXED ASSETS PURCHASED SHOULD BE ADDED TO THE INVENTORY RECORDS WHEN PURCHASED AND ITEMS DELETED SHOULD BE PROPERLY REMOVED FROM THE RECORDS.
3. WHEN FUTURE PHYSICAL INVENTORIES ARE TAKEN, THEY SHOULD BE COMPARED TO THE UP-TO-DATE FIXED ASSET INVENTORY RECORDS.

WE RECOMMEND THAT THE ESCHEATED ESTATES BUREAU IN THE LEGAL SERVICES DIVISION BE ACTIVATED TO PROPERLY CARRY OUT ITS DUTIES AND FUNCTIONS AS SET FORTH IN THE LAWS AND REGULATIONS OF THE STATE OF MONTANA. WE BELIEVE THAT THIS AREA NEEDS IMMEDIATE ATTENTION SO THAT REVENUE RECEIVED BY ESCHEATED ESTATES CAN BE PROPERLY DEPOSITED IN THE STATE SCHOOL FUND.

LEASES

The Department of Justice leases or rents a number of properties in Montana, particularly by reason of the Highway Patrol operation. However,

only four are leased for rents, ranging from \$15.00 to \$375.00 per month. Two leases expire in 1977 and two in 1978.

INSURANCE

Insurance coverage is handled by the State of Montana through the coverage arranged by the Department of Administration. We believe that all assets of the Department, building, equipment and inventory are fully covered by the insurance policies.

FINANCIAL STATEMENTS

MONTANA DEPARTMENT OF JUSTICE
LEGAL SERVICES DIVISION

ASSETS	General Fund Account	Escheated Estates ERA	Legal Service Division FPRH	Undistributed Estates AA	Escheated Estates AA	Recovery Statute AA	Alien Heirs AA	Highway Patrol Retire E/R	Total Legal Services Division
Cash in Revolving Fund	\$ 952.38								\$ 952.38
Cash in Treasury									682,528.56
Accounts receivable - Treasurer	132,823.34	\$3,273.93	\$2,983.33	\$ 5,997.23	\$612,804.86	\$18,496.74	\$38,972.47	-0-	132,823.34
Accounts receivable - Other	39,746.00								39,746.00
Advances to employees	931.00								931.00
Inter-entity receivable	16.00								16.00
Total Assets	\$174,468.72	\$3,273.93	\$2,983.33	\$ 5,997.23	\$612,804.86	\$18,496.74	\$38,972.47	-0-	\$856,997.28

[illegible]

The office of the Attorney General has advised us that civil litigation pending against the Department of Justice by reason of the Workmen's Compensation Investigation, totals \$18,837,278.40. They have also advised us that the cases are being handled by the insurance carrier and that any decision adverse to the Department will be paid by the carrier.

Other litigation involving the Justice Department are cases filed against the Highway Patrol, totalling \$562,200.00.

EXHIBIT "A"

MONTANA DEPARTMENT OF JUSTICE
MOTOR VEHICLE DIVISION

BALANCE SHEET
June 30, 1976

	General Fund		Highway ERA		Motor Vehicle ERA		Highway Patrol FPRA		Highway Patrol Uncleared Collections FPGCA		Highway Patrol I.D. Card R.A.		Safety Responsibility Compliance AA		Total Motor Vehicle Division	
Assets																
Cash on hand					\$	75.86									\$	75.86
Cash in Revolving Fund						1,250.00										1,250.00
Cash in Treasury						1,409,953.97		\$	950.58	\$	218.00	\$	1,325.36			1,414,004.86
Accounts receivable - Treasurer			\$103,970.90													103,970.90
Accounts receivable - Dishonored checks						77.00				3.00						1,048.62
Advances - Other			70.00													80.00
Total Assets	-0-		\$104,040.90		\$1,411,356.83		\$1,999.20		\$ 221.00		\$1,556.95		\$1,325.36		\$1,520,500.24	
Liabilities																
Accrued support expenditures			\$104,040.90	\$	34,481.29		\$1,158.23								\$	139,680.42
Inter-Entity loans payable					16.00		3,000.00		\$ 182.50							3,016.00
Account for uncleared collections					732.00											914.50
Reserve for:																
Stale-dated warrants					2.54				61.50							64.04
Property held in trust									(23.00)		\$1,556.95		\$1,325.36			1,325.36
Fund balance - General			\$104,040.90		1,376,125.00		(2,159.03)		\$ 221.00		\$1,556.95		\$1,325.36			1,375,495.92
Total Liabilities	-0-		\$104,040.90		\$1,411,356.83		\$1,999.20		\$ 221.00		\$1,556.95		\$1,325.36		\$1,520,500.24	

EXHIBIT "A"

MONTANA DEPARTMENT OF JUSTICE
INVESTIGATION, COMMUNICATION, IDENTIFICATION DIVISION

BALANCE SHEET
June 30, 1976

	General Fund Account	Law Enforcement Academy ERA	ICI FPRA	Law Enforcement Academy FPRA	Law Enforcement: Teletype System FPRA	Attorney General Teletype RA *	Total Investigation Communication Identification Division
Assets							
Cash on hand		\$ 10.00		\$ 50.00		\$40,700.63	\$ 60.00
Cash in Treasury		18,462.62		11,455.44		2,250.10	70,618.69
Accounts receivable - Other		513.45					2,763.55
Total Assets	-0-	\$18,986.07	-0-	\$11,505.44	-0-	\$42,950.73	\$73,442.24
Liabilities							
Accrued support expenditures		\$ 3,342.11	\$616.76	\$ 7,237.95		\$42,950.73	\$11,196.82
Fund Balance - General		15,643.96	(616.76)	4,267.49			62,245.42
Total Liabilities	-0-	\$18,986.07	-0-	\$11,505.44	-0-	\$42,950.73	\$73,442.24

*Now Law Enforcement Teletype System.

MONTANA DEPARTMENT OF JUSTICE
CENTRAL SERVICES DIVISION

BALANCE SHEET
June 30, 1976

	General Fund Account	Central Services Data Processing FPRA	Motor Vehicle Data Processing FPRA	Total Central Services Division
Assets				
Cash in Treasury			<u>\$2,687.43</u>	<u>\$2,687.43</u>
Total Assets	<u>-0-</u>	<u>-0-</u>	<u>\$2,687.43</u>	<u>\$2,687.43</u>
Liabilities				
Fund balance	<u> </u>	<u> </u>	<u>\$2,687.43</u>	<u>\$2,687.43</u>
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>\$2,687.43</u>	<u>\$2,687.43</u>

EXHIBIT "B"

MONTANA DEPARTMENT OF JUSTICE
LEGAL SERVICES DIVISIONSTATEMENT OF CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1976

	General Fund Account	Escheated Estates ERA	Legal Services Division FPRA	Undistributed Estates AA	Escheated Estates AA	Recovery Statute AA	Alien Heirs AA	Highway Patrol Retire E/R	Total Legal Services Division
Fund Balance, July 1, 1975	-0-	\$19,607.87	\$ 4,586.72		\$159,470.63				\$ 183,665.22
Additions:									
Receipts:									
Revenues - Schedule I	\$ 423,982.20		9,400.00		42,560.55			\$379,499.75	812,881.95
Transfers from other agencies									42,560.55
Provided from State General	3,493,243.19								3,493,243.19
Fund									
Prior year expenditure	12,418.57								12,418.57
adjustment	426.76								426.76
Net transfer to fund									
Total Additions and Balance	3,930,070.72	19,607.87	13,986.72	-0-	202,031.18	-0-	-0-	379,499.75	4,545,196.24
Deductions:									
Support expenditures-Schedule II	3,914,817.15	16,893.03	7,925.40					379,499.75	4,319,135.33
Prior year expenditure									
adjustment	15,253.57		1,124.73		297.22				16,378.30
Prior year income adjustment			1,953.26						2,250.48
Total Deductions	3,930,070.72	16,893.03	11,003.39	-0-	297.22	-0-	-0-	379,499.75	4,337,764.11
Fund Balance, June 30, 1976	-0-	\$ 2,714.84	\$ 2,983.33	-0-	\$201,733.96	-0-	-0-	-0-	\$ 207,432.13

EXHIBIT "B"

MONTANA DEPARTMENT OF JUSTICE
MOTOR VEHICLE DIVISIONSTATEMENT OF CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1976

	General Fund Account	Highway ERA	Motor Vehicle ERA	Highway Patrol FPRA	Highway Patrol Uncleared Collections FPGCA	Highway Patrol ID Card R.H.	Safety Responsibility Compliance AA	Total Motor Vehicle Division
Fund Balance, July 1, 1975	-0-	-0-	\$ 602,772.93	(\$ 7,183.11)	(\$23.00)	\$ 737.15	-0-	\$ 596,303.97
Additions:								
Receipts:								
Revenue - Schedule I.								
Transfers from other agencies			1,693,417.37	163,268.82		1,211.31		1,857,897.50
Provided by State General Fund	\$16,234.03	\$3,054,131.41	2,625.00					2,625.00
Net transfer to fund			75.86					3,070,365.44
Total Additions and Balance	16,234.03	3,054,131.41	2,298,891.16	156,085.71	(23.00)	1,948.46	-0-	5,527,267.77
Deductions:								
Support expenditures - Schedule II								
Prior year expenditure adjustment		3,047,041.92	898,633.49	132,467.48		391.51		4,078,534.40
Prior year income adjustment	16,234.03	7,089.49	18,533.07	25,777.26				67,633.85
Total Deductions	16,234.03	3,054,131.41	922,766.16	158,244.74	-0-	391.51	-0-	5,599.60
Fund Balance, June 30, 1976	-0-	-0-	\$1,376,125.00	(\$ 2,159.03)	(\$23.00)	\$1,556.95	-0-	\$1,375,499.92

MONTANA DEPARTMENT OF JUSTICE
INVESTIGATION, COMMUNICATION, IDENTIFICATION DIVISION

STATEMENT OF CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1976

	General Fund Account	Law Enforcement Academy ERA	I.C.I. FPRA	Law Enforcement Academy FPRA	Law Enforcement Teletype System FPRA	Attorney General Teletype System-FA*	Total Investigation Communication Identification Division
Fund Balance, July 1, 1975	-0-	\$ 4,230.92	\$ 609.94	\$ 5,823.01	\$ 10,474.08	\$ 27,740.34	\$ 48,878.29
Additions:							
Receipts:							
Revenue - Schedule I		14,745.15	15,965.03	149,000.00	91,663.00	61,704.75	76,449.90
Transfer from other agencies						10,419.12	267,047.15
Provided by State General Fund	\$1,372.67		105.89	90.58	8,218.21	781.79	1,372.67
Prior year expenditure adjustment							8,324.10
Prior year income adjustment							872.37
Net transfer to fund		10.00					10.00
Total Additions and Balance	1,372.67	18,986.07	16,680.86	154,913.59	110,355.29	100,646.00	402,954.48
Deductions:							
Support expenditures - Schedule II		3,342.11	16,581.79	147,969.93	91,663.00	50,785.73	310,342.56
Prior year expenditure adjustment				2,676.17	9,000.00	5,925.00	18,973.84
Prior year income adjustment			715.83		9,692.29	984.54	11,392.66
Total Deductions	1,372.67	3,342.11	17,297.62	150,646.10	110,355.29	57,695.27	340,709.06
Fund Balance, June 30, 1976	-0-	\$15,643.96	(\$ 616.76)	\$ 4,267.49	-0-	\$ 42,950.73	\$ 62,245.42

*Now Law Enforcement Teletype System.

MONTANA DEPARTMENT OF JUSTICE
CENTRAL SERVICES DIVISION

STATEMENT OF CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1976

	<u>General Fund Account</u>	<u>Central Services Data Processing FPRA</u>	<u>Motor Vehicle Data Processing FPRA</u>	<u>Total Central Services Division</u>
Fund Balance, July 1, 1975	-0-	(\$12,310.00)	\$ 2,687.43	(\$ 9,622.57)
Additions:				
Receipts:				
Transfers from other agencies		42,760.00	74,785.61	117,545.61
Provided from State General				
Fund	<u>\$436.31</u>	<u> </u>	<u> </u>	<u>436.31</u>
Total Additions and Balance	436.31	30,450.00	77,473.04	108,359.35
Deductions:				
Support expenditures -				
Schedule II		29,380.00	74,785.61	104,165.61
Prior year expenditure				
adjustment	<u>436.31</u>	<u>1,070.00</u>	<u> </u>	<u>1,506.31</u>
Total Deductions	<u>436.31</u>	<u>30,450.00</u>	<u>74,785.61</u>	<u>105,671.92</u>
Fund Balance, June 30, 1976	<u>-0-</u>	<u>-0-</u>	<u>\$ 2,687.43</u>	<u>\$ 2,687.43</u>

MONTANA DEPARTMENT OF JUSTICE

STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
Fiscal Year Ended June 30, 1976

	1975-76 Appropriation	Budget Amendments	Total Available	Expenditures	Balance
General Fund:					
Central Services	\$ 312,907	\$ 11,234	\$ 324,141	\$ 310,501	\$ 13,640
Legal Services	808,782		808,782	731,705	77,077
Motor Vehicle	2,435,692	(11,234)	2,424,458	2,345,451	79,007
Investigation, Communications and Identification	560,104		560,104	522,241	37,863
Total	4,117,485	---	4,117,485	3,909,898	207,587
Earmarked Revenue Fund:					
Legal Services	17,500		17,500	16,893	607
Motor Vehicle	4,499,985		4,499,985	4,325,175	174,810
Investigation, Communications and Identification	17,379		17,379	3,342	14,037
Total	4,534,864	---	4,534,864	4,345,410	189,454
Federal and Private Revolving Fund:					
Central Services		107,084	107,084	104,166	2,918
Legal Services	20,000		20,000	7,925	12,075
Motor Vehicle	82,325	84,507	166,832	132,467	34,365
Investigation, Communications and Identification	277,709	20,476	298,185	256,215	41,970
Total	380,034	212,067	592,101	500,773	91,328
Revolving Fund:					
Motor Vehicle	500		500	392	108
Investigation, Communications and Identification	63,000		63,000	50,786	12,214
Total	63,500		63,500	51,178	12,322
Total Agency	\$9,095,883	\$212,067	\$9,307,950	\$8,807,259	\$500,691

EXHIBIT "C"

MONTANA DEPARTMENT OF JUSTICE

STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS - CONTINUED
Fiscal Year Ended June 30, 1976

	<u>1975-76</u>	<u>Budget</u>	<u>Total</u>	<u>Expenditures</u>	<u>Balance</u>
	<u>Appropriation</u>	<u>Amendments</u>	<u>Available</u>		
Total expenditures above				\$8,807,259	
Audit adjustment to prior years				(18,853)	
Expenditures as per Schedule II				<u>\$8,788,406</u>	

Note 1:

SCHEDULE I

MONTANA DEPARTMENT OF JUSTICE
DETAIL OF REVENUE
For the Fiscal Year Ended June 30, 1976

Subdivision by Name	Source	Amount
I.C.I. - Law Enforcement Academy	Law Enforcement Academy Tuition (Board and Room)	\$ 14,187.15
	Sale of merchandise - Miscellaneous	558.00
Attorney General Teletype System-RA	Reimbursement-Teletype Systems-Non-State	61,704.75
Legal Services	Licenses and permits, Driving - Certified Operators Abstract Fire Protection Systems	\$ 406,318.50 3,815.00
Legal Services Division, FDRA	Grants, Gifts, Bequests, Donations. Crime Commission	9,400.00
Motor Vehicle, ERA	Licenses, Permits, Recording Liens, Titles, Registration, Other. Total	1,685,679.97
Highway Patrol, FPRA	Sale of Documents	3,475.50
Legal Services	Reimbursements - Federal	163,268.82
	Licenses & Permits (Driver) - Duplicates - Duplicate Receipts - Other	10,181.15 597.55 2,425.00
	Reimbursements - Federal - Veterans Education Training Miscellaneous - Jury Duty and Witness Fees Miscellaneous - Other	13.00 12.00 620.00
Motor Vehicle, ERA	Vehicle - Dealers Annual Registration - Others Reimbursements - Misc. Jury Duty and Witness Fees Postage	216.00 132.00 84.70
	Sale of documents, merchandise & property-Doc. CPS Papers Certified Sale of Prison Manuf. - Sample license plates Sale of Temporary Vehicle Registration Stickers Rentals, Leases and Royalties - Federal Lease Miscellaneous-Other	23.00 852.00 2,945.00 1.00 8.20
Highway Patrol - ID Card, R.A. Highway Patrol Retire E/R	Sale of Documents, Merchandise & Prop. - Identification Cards Portion of Drivers' Licenses	4,261.90 1,211.31 379,699.75
Total		\$2,747,229.35

MONTANA DEPARTMENT OF JUSTICE

DETAIL OF ENTITY SUPPORT EXPENDITURES
Year Ending June 30, 1976

Entity Number	Law		Law		Law		Attorney		Central		Motor		Legal		Escheated	
	Enforcement	I.C.I.	Enforcement	Academy	Enforcement	Teletype	General	Teletype	Services	FPRA	Vehicle	FPRA	Services	FPRA	Estates	ERA
	2720	4395		4550	4591		7056		4009		4008		1100		2085	
Personal Services	\$3,342.11		(\$ 10.00)												\$1,804,793.91*	\$16,820.47
Contracted Services			31,360.40								\$19,555.02		467,793.97		72.56	
Supplies and materials		\$ 824.26	48,577.16								1,035.85		439,683.70			
Communications			3,515.20								1,314.92		114,877.99			
Travel			26,280.66										221,170.28			
Rent			25,612.40								17,379.50		175,687.62			
Utilities			1,004.02										17,291.02			
Goods purchased for Resale													620.00			
Repairs and maintenance			2,737.72								48.71		197,393.39			
Other			566.09								741.90		16,848.67			
Equipment		15,757.53	8,326.28								34,709.71		458,656.60			
Total	\$3,342.11	\$16,581.79	\$147,969.93		\$91,663.00		\$50,785.73		\$29,380.00		\$74,785.61		\$3,914,817.15		\$16,893.03	

Note (1)

Entity Number	Legal		Motor		Highway		Highway		Highway		TOTAL	
	Services	Division	Vehicle	ERA	Patrol	FPRA	I.D. Card	R.A.	Patrol	Retiree		
	4926		2212		4098		7246		E/R	2006		
Personal Services	\$7,923.40		\$660,938.74		\$ 40,542.44						\$5,851,102.42	
Contracted Services	2.00		45,188.08		14,489.28						600,470.48	
Supplies and Materials			93,878.93								612,279.48	
Communications			6,286.60								322,259.12	
Travel			2,531.09		1,062.10						262,312.56	
Rent			14,835.45								234,720.97	
Utilities			2,977.82								21,395.97	
Goods purchased for Resale											620.00	
Repairs and maintenance			8,159.76								224,479.63	
Other			9,123.37								28,352.93	
Equipment			2,384.57		76,373.66						654,184.74	
Total	\$7,925.40	\$3,047,041.92	\$898,633.49		\$132,467.48		\$391.51			\$379,499.75	\$8,812,177.90	

* Includes amounts paid to Retirees \$ 379,499.75

Note (1) Includes expenditures for Workmen's Compensation Investigation \$435,956.31.

MONTANA DEPARTMENT OF JUSTICE

SCHEDULE REFLECTING COSTS OF THE
WORKMEN'S COMPENSATION INVESTIGATION
PER RECORDS OF THE DEPARTMENT OF JUSTICE

	For the Fiscal Year	
	<u>June 30, 1975</u>	<u>June 30, 1976</u>
Personal Services	\$225,451.65	\$311,872.56
Contracted Services	82,038.16	57,908.94
Supplies and Materials	8,797.19	14,524.64
Communications	4,188.00	5,764.65
Travel	19,796.79	33,773.55
Rent	6,044.50	3,869.00
Repairs and maintenance	636.65	3,323.88
Equipment	5,415.00	
Other	<u>196.22</u>	<u></u>
Totals	<u>\$352,564.15</u>	<u>\$431,037.22</u>

This statement is presented for information purposes. The costs for the year June 30, 1976 are included in Legal Services costs in Schedule II and the Changes in Fund statement. The costs for the year June 30, 1975 are subject to the comments made in our report.

MONTANA DEPARTMENT OF JUSTICE

SUMMARY OF RECOMMENDATIONS OF
REGISTRAR'S OFFICE - JUNE 30, 1973

	Imple- mented	Not imple- mented	Being Considered
Evaluate the feasibility of implementing an auto- mated or semi-automated cash recording system.			X
Require all mail to be centrally opened and all cash to be removed at the mail opening point and re- corded immediately.	X	X	
Route a copy of the cash receipts records to a responsible person outside the cashier's depart- ment and require this person to reconcile cash receipts with deposits.		X	
Make timely deposits of all cash received, restrictively endorse checks when processing the mail, and otherwise comply with the Montana Administrative Manual.		X	
Separate the cash deposit, accounting, and reconciliation duties.		X	
Separate the approval, custody, and accounting responsibilities for the revolving account.		X	
Implement a control program for fixed assets, in- cluding appropriate separation of duties.		X	
Implement procedures to safeguard postage.		X	
Reconcile the cash received with documents processed and implement procedures for account- ing for all license plates sent to counties.	X	X	
Take a physical inventory of its fixed assets, reconcile the physical count with existing records, adjust the records to agree with phy- sical count upon the appropriate approval for the write-off of missing items, record future additions and deletions on a timely basis, and implement the other provisions of Management Memo 70-17.		X	
Close the suspense account.	X		
Employment Security Division send reimbursements under Federal programs directly to the state treasurer for deposit to the account of the appropriate state agency.	X		

MONTANA DEPARTMENT OF JUSTICE

SUMMARY OF RECOMMENDATIONS OF
REGISTRAR'S OFFICE - JUNE 30, 1973 (Continued)

	Imple- mented	Not imple- mented	Being Considered
Discontinue cash payments in lieu of insurance contributions and make insurance contributions for all employees who are eligible under the statewide insurance plan.	X		
The bureau and the prison establish an equitable means for allocating utilities costs.	X		
Establish effective travel claim review procedures.	X		
Bureau chief establish and maintain appropriate leave records.	X		
Maintain the vehicle registration files as required by Section 53-101(3), R.C.M. 1947. Computerized in 1976-1977 year.	X		
The Department of Justice seek legislation authorizing confidential plates and prescribing guidelines for their issuance and use.	X		
Determine the optimum licensing cycle for Montana's needs and seek legislation to implement a license plate term consistent with its determination.			X

AGENCY REPLY



ROBERT L. WOODAHL
ATTORNEY GENERAL

State of Montana
Office of The Attorney General
STATE CAPITOL
HELENA, MONTANA 59601

SEP 22 1976

LEGISLATIVE AUDITOR

September 16, 1976

Mr. Morris L. Brusett
Legislative Auditor
Room 135, State Capitol
Helena MT 59601

Dear Mr. Brusett:

As you will recall, on June 3, 1975, I requested you and your staff conduct an audit of the Workmen's Compensation Investigation program and its related appropriations. This request was made in recognition of the need to substantiate the proper handling of the funds appropriated to the Department of Justice and to verify that the expenditures did not exceed the intent of the Montana legislature.

I believe that the subsequent audit of not only the Workmen's Compensation Investigation program, but also the entire Department of Justice, reflects the premise that although there are some small procedural matters which will be corrected immediately, the audit report verifies that the conduct and procedures were complied with in all departmental matters.

I am sure you will agree that none of the audit findings are so significant as to require disciplinary or stronger action, and that the department, although there are some adjustments and improvements which should and will be made, conducts its business in a legal and official manner.

As you requested our reply to the recommendations follows:

Recommendation No. 1 - Page 2

We recommend that the refund revolving account be increased by \$300.00 and that the other revolving account be reduced by a similar amount.

We concur.

Recommendation No. 2 - Page 2

We recommend that immediately upon the departure of any employee entitled to sign on a bank account, that new signature cards be obtained and that the bank be notified of the elimination of the employee departing.

Morris L. Brusett
September 16, 1976
Page 2

We concur and it is presently, as in the past, being followed.

Recommendation No. 1 - Page 3

We recommend that when seeking reimbursement of the refund revolving account that Central Services in Helena be informed of the disbursements actually made from the account and that the reimbursement be an amount which will bring the balance up to the full amount of the account, which, at the present time, is \$500.00.

We concur.

Recommendation No. 2 - Page 3

We recommend that all checks older than six months outstanding be cancelled and that the bank be informed not to cash checks older than six months. If a check is turned down by reason of age, then another check can be issued to take its place.

We concur.

Recommendation No. 1 - Page 4

We recommend that the payment of travel expenses be made through the regular warrant system rather than through the revolving account.

We concur. Currently, all travel expenses are made through the regular warrant system. Only travel advances are made through the revolving account (reference Management Memo 69-2).

Recommendation No. 2 - Page 4

We recommend that the expense statements being paid by the revolving fund be approved by someone other than the persons authorized to sign the checks, and we further recommend that the checks be issued by someone other than the person who reconciles the bank statement.

We concur. It has been planned to separate the preparing, issuing and reconciling of the checking account duties to three separate individuals.

Recommendation No. 3 - Page 4

We recommend that the records of the Department of Justice for the Registrar's Bureau be adjusted so as to include an account for cash on hand at the Bureau in the amount of \$75.86.

We concur.

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Page 3

Recommendation No. 1 - Page 5

We recommend that the cash receiving function of the Registrar's Office be mechanized for the purpose of speeding up the handling of receipts and for the further purpose of providing for more internal control. This latter would be accomplished by having the departments responsible for the titles, liens, or any of the other functions of the Registrar's Bureau, receive a copy of the cash receipts processed so that this could be compared against the documents being handled by them.

We concur. The Registrar of Motor Vehicles Bureau is currently in the process of establishing a more efficient mechanized cash receiving process.

Recommendation No. 1 - Page 6

We recommend that the checks received in the mail be endorsed upon receipt rather than being endorsed the following day when the deposits are made. We further recommend that the mail department and cashier's office be separated by more distance.

We concur. The checks will be endorsed upon receipt as a cash receiving function. When space is available the two functions will be separated.

Recommendation No. 2 - Page 6

We recommend for the protection of cash being held, that a safer method of holding the cash be found, but that in the meantime, all doors to the vault room at noon time and at night be locked, as well as the filing cabinet.

We concur. When the new space (old administration area of the Montana State Prison) is available the vault in that area will be used to safeguard all receipts.

Recommendation No. 1 - Page 7

We recommend that the change fund and the petty cash fund be checked every day and any shortages or overages be reported to Central Services at the close of each month.

We concur.

Recommendation No. 2 - Page 7

We recommend that the duties of billing, collection and recording of charges for the school conducted be separated to the greatest extent possible.

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September 16, 1976
Page 4

We concur. Presently, we are setting up a receivable function in Central Services to handle each individual school and its related fiscal matters.

Recommendation No. 3 - Page 7

We recommend that when cash is transferred to Helena from sales of patches, tie-tacs, etc., that the transfer be made in an amount that will reduce the change fund to \$10.00 and that any cash over or short be reported to Central Services at that time.

We concur.

Recommendation No. 4 - Page 7

We recommend that the \$10.00 change fund on hand at the Academy be recorded on the books of the Department of Justice.

We concur.

Recommendation No. 1 - Page 8

We recommend that no additional tie-tacs be purchased until the present inventory is reduced to a reasonable number.

We concur. The present supply was purchased at a substantial savings because of the size of the initial order.

Recommendation No. 2 - Page 8

We recommend that when invoices are prepared for charges for the various schools that are conducted by the Law Enforcement Academy, that a copy of the invoice be forwarded to Helena, and that with this information, the Central Services Division will maintain a record of the amounts due to the Academy.

We concur.

Recommendation No. 3 - Page 8

We recommend that a copy of all invoices issued by the Academy be sent to Central Services and that Central Services maintain a record of the accounts receivable owing as of any time to the Academy.

We concur.

Recommendation No. 4 - Page 8

We recommend that the fund be returned to the treasury of the State of Montana, as the fund is not now being used, and there is no indication of a need for the fund in the future.

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September 16, 1976
Page 5

We concur. As of this date the recommendation has been complied with.

Recommendation No. 1 - Page 9

For this reason we recommend that any time that the Fire Marshal's Bureau has \$100.00 or more on hand, that transfer of the receipts be made to Central Services immediately.

We concur. The transfer of receipts is also done on a monthly basis in addition to the \$100.00 or more limit.

Recommendation No. 1 - Page 10

We recommend that the receipts collected by the Helena Highway Patrol office be delivered to Central Services with a printed cash receipts document instead of using a legal pad. The cash receipts document should be prepared in duplicate and one copy should be retained by the Patrol office. As it is now, Central Services receives the cash and the only copy prepared with respect to collections.

We concur. Presently, the use of the legal pad accomplishes the same end as the one recommended by the auditors. We will refine the format on a more formal basis so that we will comply with the recommendation.

Recommendation No. 2 - Page 10

We recommend that the checks received be endorsed by the Highway Patrol office at the time of receipt. This would require the Patrol office to segregate receipts that do not belong to the Motor Vehicle Division.

We concur.

Recommendation No. 1 - Page 11

We recommend that Central Services turn over to the Collection Division of the Department of Revenue, all old uncollected accounts, for action by the Collection Department to the end that amounts due will be collected.

We concur. Although our experience shows that we do have some slow accounts, our bad account record does not exceed \$150 in a month's time. Several of the insurance companies are slow to pay, but they do pay. The bad accounts will be collected in the near future.

Recommendation No. 1 - Page 12

We recommend that a complete inventory of books held by headquarters and by the division offices and by patrolmen, should be taken on September 30, 1976, and that the data processing inventory should, on that date, be adjusted to the actual

figure as determined. We further recommend that the inventory held by each division office and by headquarters should be reconciled at the end of each month. We also recommend that the data processing information be maintained on a current basis and that when it appears that a book is outstanding and being held by a patrolman for a long period of time, that steps should be taken to make determinations as to the actual existence of summons books in the hands of the patrolman.

We concur with taking a complete inventory of summons, and this has been completed. We feel the quarterly report we receive on the outstanding summons is adequate in reconciling our records and that additional data processing expenses would be unwarranted.

Recommendation No. 1 - Page 13

We recommend that the duties of buying, issuance of inventory items, and the record keeping be divided into at least two functions, such as buying and issuing being separated from record keeping.

We must take exception to this recommendation. We presently have divided the jobs of buying, issuance and record keeping in the Highway Patrol. The duties are performed by three individuals who are responsible to the sergeant in charge. Further separation would involve additional personnel.

Recommendation No. 2 - Page 13

We recommend that the duties of billing, collecting and depositing of teletype services, be divided between at least two people, using personnel of Central Services if needed.

We concur. We are presently initiating the procedure of individual handling of each function of the cash collecting process.

Recommendation No. 1 - Page 14

We recommend that deposits be made more often and that checks be endorsed upon receipt and that a journal of collections be installed to reflect date, name and amount and when deposited.

We concur.

Recommendation No. 2 - Page 14

We recommend that funds be retained until deposited, in a place providing for more protection of the funds.

We concur.

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Page 7

Recommendation No. 1 - Page 16

We recommend that the Department of Justice and the Department of Revenue come to an agreement as to who is responsible for maintaining records of these funds, and that once that decision is made, that an effort be made to determine which part of these old funds should be transferred to the Public School fund. This latter determination will require an exhaustive investigation, going back before the year 1969.

We concur. Currently, the Escheated Estates bureau chief is working with the Department of Revenue to propose legislation to rectify the existing situation and to set up legislation that would be more definitive in duties for both departments.

Recommendation No. 1 - Page 17

We recommend that all general ledger accounts consisting of assets and liabilities, be balanced to a subsidiary ledger on a monthly basis. We further recommend that each division or bureau maintaining any records be so advised, and that the chief accountant be advised monthly, as to subsidiary balances.

We concur. As stated in the auditor's narrative, this project had been undertaken by Central Services prior to the auditor's examination.

Recommendation No. 1 - Page 18

We recommend that the Department of Justice immediately take an inventory of all equipment in the various divisions, and that a systematic method of tagging the equipment be designed, and that records for maintaining the equipment on hand, purchased, sold or transferred, be installed.

We concur.

Recommendation No. 2 - Page 18

We recommend that an entity be created on the records of the Department of Justice to reflect equipment owned and fund balance - that the system provide for additions and retirements in dollars, and that the subsidiary ledger mentioned in the previous recommendation be balanced to the ledger account for equipment.

We concur. We feel the Statewide Budgeting and Accounting System should develop a system to handle equipment inventories.

Recommendation No. 1 - Page 19

We recommend that all personnel files be maintained by Central Services rather than having this function performed in a division or bureau office.

We concur.

Recommendation No. 2 - Page 19

We recommend that the agency have a personnel officer responsible for hiring and firing employees.

We must take exception to the recommendation. Due to the geographical layout of the department and the variety of occupations that the department has, it would be almost impossible to handle the hiring and firing of employees with one personnel officer.

Recommendation No. 3 - Page 19

We recommend that the agency use standard time and attendance reports signed by the employee and the supervisor for all programs.

We concur with the exception of the Highway Patrol and our professional status employees. The Highway Patrol will have a revised version due to their unique working schedules, and the professional employees will not be required to submit time reports.

Recommendation No. 4 - Page 19

We recommend that all personnel files contain a summary sheet which would recap the employee status throughout the years. All status changes should be supported by properly signed documents.

We concur. A summary sheet is presently being developed for the files.

Recommendation No. 5 - Page 19

We recommend that all files have a properly signed state form "Designation of Person Authorized to Receive Decedent's Warrants."

We concur. All employees' "Designation of Person Authorized to Receive Decedent's Warrants" have been prepared and signed and will be placed in their personnel files except when an employee takes exception.

Recommendation No. 6 - Page 19

We recommend that salary warrants be distributed by an employee other than the employee who prepares the payroll.

We must take exception. Due to the privacy of a person's pay check, we feel it is best that one person have access to salary amounts and the payroll process.

Recommendation No. 7 - Page 19

We recommend that all leave records be maintained on data processing equipment.

We concur. It is our understanding that a system for placing leave records on data processing equipment is being developed by the Department of Administration.

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Page 9

Recommendation No. 8 - Page 19

We recommend that leave records for all programs be maintained by Central Services in the meantime.

We concur.

Recommendation No. 1 - Page 20

We recommend that a standard leave request be used by all divisions and bureaus.

We concur with the exception of the Highway Patrol. Due to the demand for them to cover as much of the state as possible, it is imperative that any leave request be approved by several key officials. We believe the Highway Patrol has an adequate form and complies with all state regulations.

Recommendation No. 2 - Page 20

We recommend that possible abuse of sick leave be reviewed by bureau chiefs as individual cases are brought to their attention. Their approval, in each case, should be documented.

We concur.

Recommendation No. 3 - Page 20

We recommend that contracted services and expenses be paid, based upon an invoice submitted by the provider of the service.

We concur.

Recommendation No. 4 - Page 20

We recommend that all expenditures be properly approved, and that up-to-date lists of authorized signatures be maintained, so that signatures of persons approving disbursements can be checked.

We concur.

Recommendation No. 1 - Page 21

We recommend that the receiving report, signed by the person receiving the materials or services, be made a part of the warrant transfer claim package.

We must take exception to the recommendation. We feel that a receiving report should be maintained by the receiving bureau and not as a document in disbursements. The receiving bureau should use the receiving report as a document in updating the

Morris L. Brusett
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Page 10

bureau's inventory. The bureau's approval of payment indicates receipt and acceptance.

Recommendation No. 2 - Page 21

We recommend that State of Montana Purchasing Policy be strictly adhered to by issuing purchase orders for amount exceeding the limitation of \$150.00.

We concur. We adhere to the state regulation that all purchases over \$50, unless on state contract, follow the purchase requisitioning procedure with the exception of contrary instructions from the Department of Administration.

Recommendation No. 3 - Page 21

We recommend that all journal entires be fully explained, so that anyone can, from the explanation, know the purpose of the entry.

We concur. One man's explanation does not solve everyone's inquiries.

Agency's Response to the Narrative - Page 23, Last Paragraph and Page 24, First Paragraph.

The auditors make reference to the allocation of costs to exact years. A time span problem does exist. The Budget Office granted the Department of Justice a continuing appropriation of \$167,430 which meant that Fiscal Year 1974 funds could be expended in Fiscal Year 1975. The \$18,100 referred to on Page 24, paragraph one, professional fees to Richard Dzivi, was actually reduced by \$15,587.28 on June 13, 1975, thus being charged to the investigation.

We believe the auditors arrived at the \$36,807.40 figure referred to on Page 24, paragraph two, in the following manner:

Richard Dzivi Costs, Fiscal Year 1974	\$18,100.00
Difference in amount of salaries charged and those chargeable for Fiscal Year 1974	8,683.35
Total of expenditures of the Contingent Revolving Fund not charged to the specific program due to confidentiality of figures	<u>10,023.72</u>
	\$36,807.07
Item No. 1, \$18,100 for Dzivi's services, was reduced by \$15,587.28 on June 13, 1975, thus reducing the amount not charged to the Workmen's Compensation Program	\$ 2,512.32

Item No. 2, difference in salaries reported as of "Attorney General's office expenditure in support of Workmen's Compensation

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Page 11

Division Investigation, December 1, 1973 - December 31, 1974,"
as referred to on Page 23 of this report

\$ 8,683.35

Item No. 3, due to the confidentiality of the expenditures that made up the \$10,023.72, it was agreed by the Department of Administration to not close the Contingent Revolving Fund at the end of the fiscal year. Closing of the account would have divulged the make up of the expenditures. These expenditures were subsequently charged to Workmen's Compensation.

-0-

Actual additional amount that should be charged to the Investigation and was reported by the Attorney General's office in January, 1975.

\$11,195.67

In regard to paragraph three, Page 24, the report indicates \$18,798.92 of expenditures were charged to Fiscal Year 1975 that were actually attributable to Fiscal Year 1974. This is supported by the last paragraph and the last sentence of Page 23 in which it states..."the allocation of costs to the exact year when costs were incurred distorted the costs as between years."

The \$18,798.92 is made of the following items:

Amount Expended for Richard Dzivi's services expended in Fiscal Year 1974 and charged to Fiscal Year 1975, as stated above.

\$15,587.28

Contingent Revolving Account expenses charged to Fiscal Year 1975 incurred in Fiscal Year 1974, withheld from processing due to the confidentiality of the expenditures

3,211.64

\$18,798.92

Paragraph four, Page 24, we must take exception to the statement that the auditors gave no consideration to the \$16,849 as reported in the "Attorney General's Office Expenditure in Support of Workmen's Compensation Division Investigation, December 1, 1973 to December 31, 1974," when their reported figure of \$36,087 (Page 24, Paragraph Two) does include \$8,683.35.

Recommendation No. 1 - Page 28

We recommend that the Attorney General enter into formal contracts with retained personnel, stating fees to be paid, subsistence allowance and vacation to other compensation to be paid upon leaving. As it is now, many understandings are oral and have not been reduced to writing.

We concur.

Recommendation No. 1 - Page 29

We recommend that the rules and regulations in the Montana Administrative Code related to the Department of Justice be expanded and updated. As set forth in the Montana Administrative Procedure Act, the purpose of this code is to pre-scribe uniform rules and procedures for state administrative agencies. Currently, the sections related to the Department of Justice are very inadequate. Some agencies currently functioning in the department are not mentioned at all. There are some agencies shown that are no longer a part of the Department of Justice. Also, rules and regulations for some of the agencies do not adequately cover their current functions and areas of responsibility.

We concur.

Recommendation No. 1 - Page 30

We recommend that the Department of Justice establish and adopt a new organizational chart as soon as possible. The department currently does not have an organization chart that properly shows how it is functioning. A division, bureau or section of a department is not legally created unless it appears on an organization chart approved by the governor.

We concur.

Recommendation No. 2 - Page 30

We recommend that the Department of Justice, including its various divisions, establish adequate records related to its fixed assets. As set forth in a management memo pertaining to the property management of fixed assets, the following steps should be taken to adequately set up and maintain fixed asset records:

- 1. A physical inventory of all fixed assets should be taken each year, preferably on June 30th.*
- 2. New fixed assets purchased should be added to the inventory records when purchased and items deleted should be properly removed from the records.*
- 3. When future physical inventories are taken, they should be compared to the up-to-date fixed asset inventory records.*

We concur.

Recommendation No. 3 - Page 30

We recommend that the Escheated Estates Bureau in the Legal Services Division be activated to properly carry out its duties and functions as set forth in the laws and regulations of the State of Montana. We believe that this area

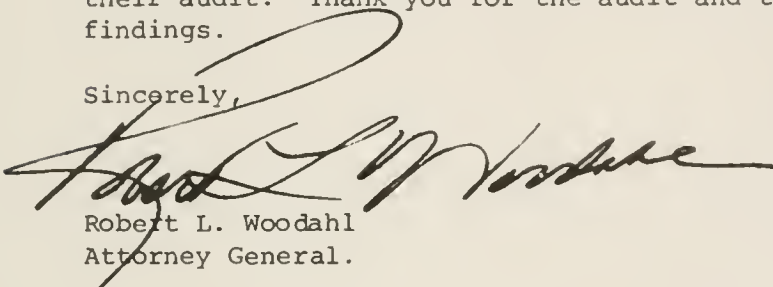
Morris L. Brusett
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Page 13

needs immediate attention so that revenue received by Escheated Estates can be properly deposited in the State School Fund.

We must take exception. The Attorney General's office is not involved with the handling of escheated funds except such as may be forwarded to the Department of Revenue for convenience only. Any problem with escheated funds or procedures connected therewith apparently stems from confusion as to where said funds are to be deposited. The Special Assistant Attorney General in charge of Escheated Estates will soon be recommending certain statutory changes to simplify and clarify this entire situation.

The Department of Justice would like to commend the firm of Newland, Horn and Taylor for thier pleasantness and the efficient manner in which they conducted their audit. Thank you for the audit and the opportunity to respond to its findings.

Sincerely,



Robert L. Woodahl
Attorney General.

